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HOW TO SPECULATE IN MINES

BEING AN EXPOSITION OF THE PRINCIPLES OF INVESTMENT AND SPECULATION, WITH DESCRIPTIONS OF MINE-DEVELOPMENTS AND PRINCIPAL GOLD FIELDS

AND

A GLOSSARY OF MINING TERMS

BY

WALTER W. WALL, F.J.I.

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INTRODUCTION

In undertaking the task to instruct the ordinary capitalist how to speculate in mining shares, I am well aware that it is no light and easy one, but is beset with many and formidable difficulties. I can but tackle it, however, and attempt to overcome those difficulties, leaving it to others to judge of the success that I may attain. A book of this kind is, I think, greatly needed, for though one or two have been published during a long course of years, they have been by no means exhaustive enough, nor even lucid enough to satisfy the needs of the layman and amateur investor and speculator. I hope that my little work, therefore, will supply a much-felt want, and be of real help and use to those for whom it is written. As for my qualifications for the task I have set myself, it would be prudent of me to say nothing, as the evidence or lack of evidence of them will be clearly manifest

in the pages that follow. But during the many years I sat in the editorial chair of the *Mining Journal* I learnt a great deal, and the fruits of that knowledge and experience I now offer to the acceptance of those whom they concern, and to whom I hope they will be of some benefit.

Of course I lay no claim to infallibility. In attempting a task such as this, even the most experienced observation and the most disciplined insight and judgment may go far astray. It is possible only to do one's best. Like everyone else who has been born into this world, with his inheritance of human frailty, I have doubtless committed many errors, and I fear that, as long as life is spared to me, I shall commit many more. But there is a difference, after all, between wilful and unwitting error. The latter is, when brought to the judgment-seat of mercy, invariably pardoned, but the former partakes of a crime when others share in the injury which may be its consequence. I feel sure that no crime of that kind will be laid to my charge, whilst, at the same time, I shall strive my utmost even to avoid unwitting error. I need not enlarge here upon the scope of the work, or describe the plan of it which I have

plicated and delicate. I need not add that that advice will be entirely disinterested, without questionable motives influencing me. My reputation, I think, will be a sufficient guarantee of that. I fear that that cannot be truthfully said of much of the advice that is given in a portion of the press and by certain classes of persons. If the book be of real assistance to but a tithe of those persons for whom it is written, I shall be pleased, for it will give me some proof that I have not laboured in vain.

W. W. W.

CATFORD,
October, 1901.

GLOSSARY OF MINING TERMS

The following is a glossary of the most common mining terms in use:

Adit.—A level driven into a mine from the side of a hill.
Alloy.—A mixture of two or more metals, or a baser metal fused with a finer one.
Alluvium.—An accumulation of sand or gravel deposited by streams or rivers.
Amalgam.—An alloy of mercury with some other metals.
Analysis.—The separation of compound substances into their elementary constituents.
Anhydrous.—A substance having no water in its composition.
Anthracite.—Steam or smokeless coal.
Anticlinal.—An arch-shaped form of strata.
Apex.—The edge of a vein which by its inclination is nearest the surface.
Arch.—A portion of a lode that is left standing in a mine to support the hanging wall.
Arenaceous.—Containing sand.
Argentiferous.—Containing silver.
Argillaceous.—Containing clay.
Arrastre.—A primitive Mexican crushing-mill.
Assay.—A chemical test to show the quantity of pure metal in ores or minerals.
Auriferous.—Gold-bearing.

Backs.—Mineral that is taken from the back of a lode.
Back of the lode.—That part of the lode nearest the surface, or which is between a level and the one working above.
Banket.—A conglomerate carrying gold.
Base metal.—The metal not classed as 'noble,' or precious.
Basset.—The outcrop of a lode.

GLOSSARY OF MINING TERMS

Bastard.—Barren.
Battery.—A set of stamps, usually five.
Battery amalgamation.—Amalgamation by putting mercury into the mortar.
Bed.—A seam of ore running horizontally or parallel with the enclosing formation.
Bedrock.—The hard, solid rock underlying auriferous gravel.
Bewaarplaatsen.—Plains which companies took up on which to erect machinery, dump tailings, etc., and now proved to be valuable as deep levels.
Bezitrecht.—The mining rights of the bewaarplaatsen.
Black tin.—Tin ore ready for smelting.
Blende.—An ore consisting of zinc and sulphur.
Blind lode.—A lode showing no surface outcroppings, and that cannot be traced by surface indications.
Blue.—The blue ground in which diamonds are usually found.
Bonanza.—A term used to signify a large deposit of rich ore.
Boulders.—Rocks which have been carried down the river-beds by the force of the water.
Branch.—A small vein shooting from the main lode.
Breccia.—Angular fragments of rock cemented together by mineral substances.
Bullion.—Gold and silver in bulk, uncoined and unmanufactured.
Bumping-tables.—An appliance used for treating tailings.
Bunch of ore.—A patch or pocket of ore in a lode.

Calciner.—A kiln in which mineral is roasted.
Cap.—A mine where the vein matter is barren or where the vein is pinched.
Carbonates.—A union of carbonic acid and a base substance.
Carboniferous.—Containing carbon; the formation in which coal-measures are found.
Cassiterite.—An oxide of tin.
Caving.—The falling in of the sides of a shaft or excavation.
Champion lode.—The main lode of a district.
Chimney.—A shoot of ore in a vein.
Chlorides.—Containing chloride of silver.
Chlorodize.—To convert into chloride, preparatory to amalgamation.
Chute.—A rich patch of ore in a vein. Also spelt 'shoot' or 'shute.'
Clean up.—The collection of the valuable product from the stamp-mill or copper plates.
Concentrates.—The richest portion of ore obtained by concentration.

GLOSSARY OF MINING TERMS

Concentration.—The process by which the richest portion of the ore is concentrated, and the less valuable portion removed.
Conglomerate.—Fragments of rocks cemented together by mineral substances.
Contact vein.—A vein lying between dissimilar formations.
Copper plates.—The plates in a stamp-mill over which the ore slowly flows as it leaves the mortars. They are coated with mercury, to which the gold particles adhere.
Costeaning.—Searching for ore by shallow pits, or making open cuts from the surface.
Counter-lode.—A smaller vein running across the main lode.
Country rock.—The barren rock near to an ore deposit.
Course.—The direction taken by a vein.
Creep.—A slow, alarming movement of the ground in the workings of a mine.
Cretaceous.—Having the qualities of chalk.
Crevice.—A cleft in the earth's crust containing a mineral vein.
Croppings.—Fragments of a reef which show on the surface.
Cross-course.—Lodes crossing the main lodes at an angle.
Cross-cut.—A level driven through a lode at right angles, or across the course of a vein to intersect it.
Crusher.—A machine for breaking quartz.
Cupriferous.—Bearing copper.
Cut.—To intersect a lode.

Dead ground.—A barren part of a lode.
Dead work.—Work in a mine that is necessary, but unproductive, such as sinking shafts and driving levels.
Decomposed.—Resolved into its elementary particles.
Denudation.—Rock laid bare by the action of water.
Deposit.—A mass of rich gravel or ore.
Development.—Work done to open up a mine.
Diluvium.—Drift deposit.
Diorite.—An intrusive rock, often called greenstone.
Dip.—The inclination of a reef.
Dirt.—Auriferous gravel or wash.
Dislocation.—A displacement of a vein by a disturbance of the strata.
Disseminated.—Dispersed or scattered in small particles through the rock.
Dressing.—Sorting and preparing ore for reduction.
Drive.—A level or tunnel in a mine.
Dump.—A pile of ore taken from the mine and deposited on the surface.
Dyke.—Intruding igneous rock.

GLOSSARY OF MINING TERMS

End.—The extremity of a drive or level.
Exploit.—To work or develop a mine or property.
Eye of a shaft.—The top of a shaft.

Face.—The furthermost end of a level, drift, tunnel or excavation.
Fathom.—Six feet.
Fault.—A dislocation or displacement of a lode.
Feeder.—A small vein which joins the main lode.
Ferriferous.—Containing iron.
Fissure vein.—A cleft in the earth's crust filled with mineral matter, and extending in depth for a considerable distance.
Float gold.—Minute particles of gold floating on running water.
Floor.—Where the lode turns and lies in a horizontal position.
Floured mercury.—Mercury which has become useless for amalgamation purposes by reason of its having a film on it caused by some base substance.
Flume.—A wooden aqueduct for conveying water to alluvial or placer diggings.
Flux.—A substance used to promote the fusion of metal in the reduction of ore.
Footwall.—The wall on the lower side of a vein.
Fork.—To signify that water is drained out of a mine.
Fracture.—A break or a crack.
Free gold.—Gold uncombined with other substances.
Free milling ore.—Ore which is readily saved by amalgamation.
Friable.—Easily pulverized.
Frue vanner.—A machine for concentrating ores.

Gangue.—The non-metallic worthless rock in a lode.
Gash vein.—An irregular vein.
Gneiss.—A stratified primary rock.
Gossan.—Hydrate oxide of iron, and often an indication of favourable results.
Granulated.—In the form of grains.

Hanging wall.—The wall on the upper side of a vein.
Heave.—A displacement of a vein or stratum.
Hornblende.—A dark green mineral, exceedingly tough.
Horse.—Masses of country rock in a vein.
Hungry.—Barren vein matter.
Hydraulicking.—Forcing down auriferous gravel by discharging water on it with great pressure through pipes.

Igneous.—Rocks consolidated from a molten state.
Impregnated.—Country rock impregnated with ore.

GLOSSARY OF MINING TERMS

Inclination.—The dip of a vein.
Incline.—A slanting shaft.

Jigger.—An apparatus for separating ores.
Jumping a claim.—Taking possession of a claim which has been abandoned, or which has been forfeited through non-fulfilment of legal conditions.
Junction.—The union of two or more veins.

Killas.—Clay slate.
Kindly.—A tract of country or reef which has a promising appearance.

Leaching.—The extraction of metal salts from ores by means of a solvent.
Leader.—A small lode running into a larger one.
Levels.—Tunnels driven into a mine.
Locate.—To mark out the boundaries of a mining property.
Lode.—A metalliferous vein, having well-defined walls.

Malachite.—Carbonate of copper.
Matrix.—The barren rock, or gangue, containing metalliferous ores.
Matte.—The result of the first incomplete reduction of ore.
Metalliferous.—Containing metal or ore.
Metamorphic rocks.—Rocks which have been changed from their original condition.
Mill.—Works for treating ore by other means than smelting.
Mortar.—The receptacle in which ore is crushed.
Mother lode.—The principal lode running through a section of country.
Mynpacht.—That portion of a farm which, on the farm being declared a public gold-field, the freeholder has a right to take up for himself.

Nugget.—A large solid mass of gold.

Open cast.—When the lode outcrops on the surface, and is taken out without sinking a shaft.
Open cut.—A working or excavation open from the surface.
Ore.—A mineral compound from which metal is extracted.
Outcrop.—Parts of the vein which appear on the surface or close to the surface.
Output.—The production of ore from a mine.
Oxide.—Any element or metal combined with oxygen.

Panning.—To wash earth or gravel or crushed rock in a pan in order to obtain the particles of gold.
Pay dirt.—Auriferous gravel rich enough to pay for washing and working.
Pay streak.—The rich part of a mineral vein.
Petering.—The pinching out of a vein.
Pillar.—Part of a lode left standing as a support.
Plant.—The machinery of a mine.
Pocket.—A mass or patch of rich ore in a vein, and generally of small extent.
Precipitate.—A solid substance separated from the solution by chemical decomposition.
Prospecting.—Searching for mineral lodes or deposits.
Pulverize.—To crush to powder.
Pyrites.—A sulphuret of iron.

Quartz.—Vein stuff largely associated with ores.
Quartzite.—An altered sandstone in which the grains of sand have been cemented by silica.

Reagent.—A substance employed to precipitate some other substance by the mutual reaction of one towards the other.
Reduce.—To separate metals from their ores.
Reef.—A lode or vein of mineral.
Refining.—Purifying crude metallic products.
Refractory ores.—Ores which are difficult to treat.
Reserves.—The rock left standing in a mine.
Rock-breaker.—A machine for breaking rock into small pieces.
Rock-drill.—A machine for boring holes in rock, and generally worked by compressed air.
Run of a lode.—The course or direction of a lode.

Salting.—Placing rich ore in a mine for deceptive purposes.
Schist.—A micaceous clay slate.
Seam.—A bed of coal.
Sett.—A certain portion of ground in which mines are situated.
Setts.—Timbers placed in a mine to support excavations.
Shaft.—A deep pit or opening sunk from the surface, and by means of which the mine is developed and worked.
Shale.—A variety of slate.
Shelf.—A ledge of rock upon which drift rests.
Slide.—A small fault or disturbance in the lode.
Slimes.—Ore finely crushed and pulverized into pulp.
Sluicing.—Washing auriferous sand through long boxes, or sluices, as they are called.

GLOSSARY OF MINING TERMS

Smelting.—The process of extracting metal from their ores by fusion.

Spur.—A small vein leaving the main lode, but not returning to it.

Stamps.—Heavy pestles for pulverizing quartz.

Stamp-mill.—An upright frame containing stamps, mortars, screens, inclined tables, and other accessories.

Stope.—The workings in a mine between levels, from which ore is taken in a series of steps.

Stoping.—Breaking ore in a section of ground above, below, or between levels. Breaking ore overhead in a level is called 'overhand stoping,' and breaking ore under the feet in a level is called 'underhand stoping.'

String of ore.—A thin course of ore.

Sulphurets.—A combination of sulphur with a metal.

Sump.—A pit sunk at the bottom of a mine to collect water.

Sump shaft.—The engine shaft.

Synclinal.—The axis of a depression. A term signifying that from a given line the strata dip as though bent by pressure.

Tailings.—The refuse which after the ore has been treated in a mill still contains valuable particles of metal.

Tail-race.—The channel through which the tailings, suspended in water, are carried from the mill.

Telluride.—A metal of many combinations, and often exceedingly rich in gold or silver.

Tinstone.—Ore containing small grains of oxide of tin.

Tinstuff.—Ore obtained from a tin lode.

Trace.—To follow the course of a vein by surface indications.

Trend.—The course or direction of a vein.

Tributors.—Miners who work a section of ground in a mine, and pay a percentage on the ore they obtain.

Tutwork.—Sinking shafts, driving levels and cross-cuts by contract, and paid for at so much per foot or fathom.

Underlie.—The dip of a vein on its departure from the vertical.

Upcast.—The opening up which the ventilating air passes out of a mine.

Upraise.—To excavate or open upwards.

Vanner.—A concentrating machine.

Vein.—Synonymous with lode or reef.

Wall rock.—Barren rock from the sides or boundaries of a vein.

Wash dirt.—Auriferous gravel.

Water-level.—The level at which water is drained from a mine.
Wheal.—The Cornish name for a mine.
Whim.—A rotary machine for hoisting ore to the shaft.
Winch.—A windlass.
Winze.—A shaft which connects levels in a mine, but which does not reach the surface.
Workings.—The developments in a mine, such as levels, drifts, stopes, cross-cuts, tunnels, etc.

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PART I

CHAPTER I

GENERAL OBSERVATIONS

I HAVE chosen to entitle this book 'How to Speculate in Mines' rather than how to 'Invest' merely for the simple reason that there is far more speculation in such shares than legitimate investment. A mine share is looked upon as nothing more or less than a gambling counter, as a card to be played in a game of chance, where even the most skilful may find themselves severely handicapped if they have particularly bad cards to play with. On the other hand, there is undoubtedly a safeguard, for these counters, unlike playing cards, are not dealt out to us in quite so haphazard a fashion, so that we must make the best of what we can get, using them as skill, knowledge and circumstances direct, but they are laid out before us for our choice, and we are allowed to make our own selection. The real difficulty, therefore, is how to make a judicious selection, a difficulty which even the most experienced may fail to discern and avoid, and therefore one which is most seriously formidable to the novitiate and the least experienced.

And the difficulty is made all the greater not only because of the multiplicity of counsellors, but, if you look deeply enough, because there is a great difference between investment and speculation. It is evident to the merest casual observer that speculators greatly outnumber investors, and for the true reason of this we have need to look no further than into the inherent weaknesses of human nature itself. I call them weaknesses because they are powerful passions which, if they are allowed to have unrestrained sway over us, lead us into the most disastrous misfortunes; and it is these passions which it would be unwise of me or anyone else to ignore who would undertake the task of rightly directing them. For I would ask, How is it possible to give calm advice to a man who is labouring under great excitement, or who is in a fever of impatience, and whose mind and thoughts may have little inclination to listen to you, or, even if they have, may be so preoccupied or unrestful that they cannot grasp the full significance and weightiness of your counsel and knowledge?

In fact, it is these very passions that add enormously to the difficulties of such a task as mine, and may even render much of my labour futile. For I shall appeal largely throughout these pages to common-sense and reason, and how is it possible to appeal to any such attributes with effect if they are rendered impotent by such a fever as passion? To become a successful speculator on the Stock Exchange level-headedness and coolness are as essential as knowledge and experience, for the

latter are of no use to any man if they are forgotten in a moment of excitement or impatience, whereas inexperience, if it be wise enough to listen to those who are able to advise it, will succeed where the former will fail.

And it is extraordinary and almost incomprehensible how the most experienced are utterly helpless when a momentary fear beclouds their sanity and judgment. To diagnose a weakness of this kind is not easy, and yet it is a weakness, an invariable and inevitable symptom from which the trained and far-seeing observer may vastly profit. There is no one phase of this symptom, but it reveals itself in multifarious signs and forms, and it is to the detection of them that the speculator must assiduously and scientifically train himself if he would make a sure success of the business he has chosen. To attempt to give a scientific exposition of it would, I fear, be impossible. There are no inelastic rules to be obeyed, departure from which would lead the student astray. There are no axioms to be laid down which are as rigid in their application and invariable truthfulness as laws of nature. Knowledge of human nature is one of the essentials. Trained observation and intuition are equally as necessary. These instruct our reason, and reason aids our judgments, and judgments that are based upon a calm and keen analysis, unperverted by bias and prejudice, are the least likely to err.

But there are not many, unfortunately, who trouble to train themselves in this manner, or, if they do, they fail to put it to good account when

they need it most—that is to say, in alarming and critical circumstances. The number, however, is undoubtedly increasing, evidence of which is furnished us in the absence of panics of late years. The Stock Exchange, happily, has of late years escaped many disasters of this kind, although they have been averted on numerous occasions by almost miraculous events. For instance, to go no further back, there would have been more than one panic during the early part of the Boer War had not the news of the series of reverses to our arms come at a time when the Stock Exchange was closed, and when everybody had time calmly to think over the situation. Had it come suddenly and unexpectedly in the height of business, the consequences would undoubtedly have been of the gravest. Dealers would promptly have put down prices—in numerous cases by several points—in anticipation of everyone's eagerness to sell, and even though holders might have resisted the temptation, this alone would have been sufficient to alarm them and to compel them to get rid of their shares at any price.

Now, a trained observer, one who had profited from past experiences, would have viewed the situation calmly. He would have admitted the seriousness of it, but he would have argued that the British Empire was the greatest in the world; that it had inexhaustible resources, vast wealth, a multitude of brave men ready to die for it; that the nation had made up its mind to see the thing through successfully; that those resources, that wealth, those men, and that determination, were

sufficient to insure success; that the future, therefore, was secure, no matter how dark the present looked; that though there were real elements of danger to face, yet the probabilities were greatly in favour of our facing them safely. Apart from experience, this would have been the common-sense way of looking at it, whereas to throw away one's wealth in a fit of fear would have been an act never to be recalled, a loss never to be regained. True, France was menacing, but it was not the Government, only the riff-raff of the populace, who pulled off their coats and insulted us merely for a certain stipulated remuneration. Withdraw that remuneration, and the menaces and insults would cease. France would not fight us without the help of Russia, and as Russia had quite enough on her hands in the Far East, and, moreover, knew that Japan was awaiting her opportunity, she was not likely to give that help, especially as she refused to give it at the time of the Fashoda crisis. Moreover, their own jealousies, their own economic conditions, their doubts of the issues of war, would have been enough to restrain any of the European nations from putting their menaces into execution, and the outlook, therefore, was all in favour of this country. True, it was possible that the Dutch in Cape Colony might rise, and thus add seriously to our difficulties in South Africa, but that would only have meant greater exertion on our part, a putting out of more strength, a prolongation of the war, perhaps, but the end of it would still have been victory.

Therefore in a crisis of this kind it is madness to act on the spur of the moment, as so many thousands do. Experience would teach us that this is precisely what the dealers and the public would do, and that, as inevitable as the slump in prices would be, so would the recovery be when common-sense prevailed and when calmness was restored. The dealers themselves are merely acting in accordance with precedent; they know the public will be sure to sell, as they have always done in the past. It is to them as certain as any law of nature, and therefore, as wise men, they make provision for it. Sometimes, of course, they miscalculate, but it is very, very rarely. In the future they will miscalculate more frequently, if my advice is acted upon, and they will have to modify their notions of the sequences of cause and effect as far as they relate to speculation on the Stock Exchange.

A man who had argued in the manner I have described would have said to himself: 'Yes, this slump was bound to come; dealers were sure to put prices down, and "mugs" all over the country were sure to be frightened by it, and sell madly. But it won't last for long; it can't last for long. It will be all over in a few hours, or a day or two at the most, so I'll hold on and quietly pick up a few more shares, for they're bound to go up in time, even if I have to lock them up for a few months. We shall beat the Boers some day, and then I should be wild for not buying when I had the chance.' He would have been a far-seeing man

who argued in this manner and acted upon his opinions rather than have telegraphed to his broker to sell his shares at the best price he could get. Of course, we are not likely to have any more Boer Wars in the future—I hope we shall have no wars of any kind—but crises of this kind are bound to come from time to time, needing the exercise of forethought, foresight and discrimination to enable us to go through them safely.

I have used the foregoing as an illustration of how the Stock Exchange is influenced by political and other events, quite apart from the intrinsic values of shares; and history will repeat itself in the future, and it is to help the inexperienced to prepare for this repetition, and to know how to meet it and deal with it, that is one of the principal objects with which I have written this book. It is not one department of the Stock Exchange that is affected, but all; nor even one section, but every section of the mining market. In the hypothetical instance I have mentioned, the South African market, one would naturally argue, ought to have been the only one to suffer, as the mines in the Transvaal and Rhodesia stood in the greatest jeopardy; but, strange to say, West Australian and Miscellaneous shares would also have been adversely affected—as they have been affected from time to time throughout the war—whilst Consols and industrial stocks and shares of all kinds would have shared, to a more or less appreciable extent, in the general depreciation. This happens purely and solely because everyone is anxious to sell out

at the earliest possible moment, not stopping to consider that, where everybody is a seller, it is difficult to find a buyer. Each one seems to think that he alone is the seller, and trusts to find some-one who is not so far-seeing as he supposes himself to be.

All want to convert their paper into solid cash, and it is this craving that they are alone conscious of for the time being, and it is this craving that compels them to make such unreasoning and astounding sacrifices. It is the craving which the dealer has to guard against, and out of which the astute and far-seeing make their fortunes. Therefore we find that the Stock Exchange and the prices of stocks and shares depend upon a vast variety of influences, all of which have to be watched and studied, and all of which it is impossible to enumerate. The mining market, perhaps, is affected by a greater variety of influences than any other, with the majority of which I hope to deal in the present work, and therefore it is a delicate element —if I may so figuratively call it—which cannot be tampered with without the gravest consequences.

The numbers of those who speculate in mining shares are vastly increasing, and the reason is not far to seek. In the first place, the opportunities of making quick and sudden fortunes greatly outnumber the opportunities to be found elsewhere; but, on the other hand, the risks to be run are numerically in proportion. If we speculate in American or Home rails the risks are not so great, and can be foreseen and guarded against

more effectually; but, on the other hand, the prospects of making fortunes are much restricted. The same may be said of all kinds of industrial shares, which are dependent so greatly upon the course and prospects of trade, thus enabling the investor and speculator to make fairly reliable calculations. But in the case of a mine everything is uncertain. We never know whether a reef will pinch out to-morrow and thus make the shares worthless, or whether it will suddenly enter into a rich shute and put thousands of pounds into our pockets. It is impossible to calculate these events with anything approaching certitude or exactitude, hence the feverish excitement which speculation in such shares engenders, and which has so irresistible an attraction for certain classes of people. There are numbers of mines, of course, whose prospects we can forecast with considerable safety, especially those on the Rand, and two or three of the famous mines on the Colar gold-field; and, personally, I would rather invest my money in the shares of such companies than in many industrial ventures that may be prosperous to-day and ruined to-morrow. A good industrial company with excellent prospects may be floated to-day, and for a year or two pay good dividends; then there may come a prolonged period of trade stagnation, for which the directors may not have had the foresight to make proper provision, and there is no knowing what extraordinary things they might do in their consternation and fear. Or, even in times of prosperity, the directors might exercise little

discernment and caution, be over-extravagant, and altogether be lacking in true business instinct. We have seen recent instances of something of the kind in the Welsbach Company and in Allsopp's, which certainly ought to have been managed with greater success.

If we have saved up money, we are each one anxious to see it increase; but it depends upon the individual temperament as to what degree of increase will satisfy it. In some countries the inhabitants prefer to hoard their savings, dreading to see their money go from their sight; but Englishmen have inherited the instinct to bank and invest their money, and they obey this instinct as though it were a law of their nature. Some prefer a small yield upon their investments, so long as they can be free from anxiety as to its safety, whilst others desire a big yield, and are willing to run a little risk in order to get it. Many shares are pre-eminently suitable for this class of people, for the dividends paid by some companies —especially by the leading Rand companies—are enormous, and quickly make the fortunes of those who are lucky enough to get in at bed-rock prices, or who bought the shares at par or a slight premium. But even some of these people do not know when they are well off, for they have been known to throw away all their advantages on the merest pretext or a sudden scare, from which a little common-sense would have saved them.

Editors of financial newspapers know more than anyone, probably, the dense ignorance that pre-

vails amongst the investing classes, and yet, at the same time, what astoundingly incautious and sanguine people the majority of them are! An editor of an influential paper has numerous correspondents all over the country, who write to him continually, harassing him with the silliest of questions, and giving him problems to solve that would be beyond the solution of the powerfullest human intellect. Someone will write, for instance, and calmly ask for information which it would take months to collect, and which, when collected, so quickly do matters of this kind get out of date, would be quite useless to the recipient. Correspondents should bear in mind that editors are human, just like themselves, and can do only a certain amount of work in a given time, and though they are willing and anxious to do their best for the readers of their particular paper, yet, at the same time, they should be treated with consideration and thoughtfulness. But correspondents actually expect them to be in the secrets of every director of every company, to know precisely at any given moment what they are doing and what they intend to do, and likewise expect them to be the confidants of Nature's secrets, and tell them what she intends to do in the case of every mine that has been opened up in every gold-field. It may seem a startling revelation to some people, but I think it should be insisted upon that even an editor's knowledge is limited, and that even his proprietors see the necessity of allowing him a little recreation now and then.

There would be not the slightest need for editors to be harassed in this manner if people would only exercise ordinary common-sense. But, beyond refusing to bring their intelligence into play, they actually think they are entitled to any service, however arduous and painstaking it might be, in return for the penny or the sixpence they may pay for their paper. For instance, a correspondent will write and give a list of a dozen or so shares, and desire to know (1) the precise position of each; (2) what their prospects are; (3) what dividends they have paid; (4) what dividends they will pay; (5) are any of the shares likely to rise? (6) are any of the companies likely to be reconstructed? (7) how many of the shares are paid up? (8) are the directors honest men? (9) what does it mean that tellurides have been found? (10) what is the Diehl process? (11) how long will the mines last? (12) 'should I average any of the shares?' (13) 'is it true that Mr. So-and-So, a director, has been selling?' (14) 'if so, will you please tell me why?' etc. This is not an imaginary communication, but is an example of many that I have received, which have by no means helped to sweeten my temper. How a correspondent can expect an editor, or even a seer, to answer all these questions in one breath passes my comprehension. And yet this is what is expected as quite an ordinary thing, as though editors have all these details and secrets pigeon-holed in a corner of their brains, ready to be called upon at an instant's notice.

Moreover, what a great amount of ignorance it

reveals! and yet the correspondent may, no doubt, feel quite assured that he is an astute man, and knows what he is about in thus writing to the editor, who will be bound to give him the information, and also the advice, that will make his fortune. The strange thing is, that it does not occur to him that if the editor had this knowledge he would make use of it to make his own fortune, and thus be for ever freed from the harassments of thoughtless correspondents. Evidently an editor was not born to make money himself, but only to work night and day to make the fortunes of strangers, which should be his sole happiness, the great and supreme joy of his life.

I make this plea on behalf of editors, because I feel that it is sadly needed, and in the hope that it will make correspondents more considerate and thoughtful. Editors are willing to do their very best within the limits of possibility, but the obviously impossible they should be excused from attempting. It is an editor's business to collect facts and information, to arrange them and, if possible, analyze them to the best of his ability, and to pronounce an opinion or judgment upon them as his knowledge and experience instruct and direct. Moreover, he must do it honestly and disinterestedly, and the value of his labour must be appraised by its results.

Indeed, the duties of a financial journalist are great and varied, perhaps more so than those of an ordinary journalist. As Mr. Charles Duguid has said, in a recently-published book of his, they

are really appalling. His knowledge must be vast, his insight penetrative, his analysis and criticism calm and keen, and his judgment sane and sound. He must be detective, solicitor, advocate, judge and jury. Above all, his character must be free from suspicion. He may have every other qualification, but the lack of this one will render his work absolutely worthless. His temptations, like his duties, are also appalling—I had almost said terrible—and one after another succumbs to them. In fact, his first qualification, as Mr. Duguid has pointedly said, is integrity, the second integrity, and the third integrity, and the investor must first of all find him out before he should think of reposing any confidence in him.

CHAPTER II

INVESTMENT AND SPECULATION

In the preceding chapter I said that there is a great difference between investment and speculation, and it is necessary that I should make my meaning somewhat clearer. There are undoubtedly throughout the country numbers of people who buy mining shares, not to gamble with, but solely for the dividends which they will receive upon them. It is extremely difficult, however, to select those shares that are sound investments, and there is no rule upon which we can act, except, of course, reliable knowledge of the mine in question, of those who are responsible for its administration, and the engineer who has the management of it. We must be able to calculate not only the mine's possibilities and its probable life, but must be able to place absolute confidence in those who have the control of every department of it. Experience of the past teaches us the insecurity of this knowledge, and hence the great risk that everyone must face who puts his money in mining shares. This is mainly why the odium of suspicion attaches to

such shares, not so much because a particular mine may be unreliable, but because there are so few that are honestly managed, and so few directorates in whose trustworthiness we can place the least confidence.

But, unhappily, this suspicion is not attached solely to mining shares, and there is no reason why any such odium should be confined to them. No matter in what we invest our money, unless it be in Government and Trust securities, we must be prepared to face a certain amount of risk. Put it into American rails if you like, but you have to risk their honest administration, which is certainly purer than it was in the early days, but which still leaves much to be desired in the present. The competition is exceedingly keen, even now, with all their talk about community of interests, as witness the fight to obtain control of the Northern Pacific, and therefore there is no foreseeing what sudden disasters this rivalry might bring upon speculators and investors. Invest your money in the ordinary shares of Home rails, and though the management of our railways, as far as honesty is concerned, is above suspicion, still they may fail—and they undoubtedly do fail in too many instances—in wisdom and enlightenment. The prosperity of home railways during any given period is dependent, too, upon conditions which cannot always be foreseen and provided against, as witness the results of the past twelve months.

Put your money into all kinds of industrial shares, and you may find in a short time that the

capital has to be written down by the million, and that enormous losses have to be wiped off by the stroke of the pen. Buy house property, and you may be unfortunate in getting bad tenants, who will succeed in doing enormous damage to it in a very short time, to say nothing of the risk you run in finding the neighbourhood become unpopular in a few years. Therefore the problem—the very serious problem—for the capitalist is, where to invest his money to the best advantage, combined with a reasonable return and safety. No wonder, therefore, that, unable to solve this problem, so many prefer to speculate right out, trusting to luck, as they call it, to make big and quick profits, rather than wait patiently and anxiously throughout long years for the returns that may eventually fail them. But even if we are lucky in our speculations, and make our fortunes, the problem still presents itself what to do with our money eventually. We cannot store it all in old teapots, nor in half-worn stockings, nor even bury it in holes in the ground, but must employ it in some direction or other. Shall we keep on speculating till the end of our days, therefore? Many do answer this question in the affirmative, until they actually find, at last, that they have nothing to speculate with, as the gambler will eventually gamble away all his gains.

Therefore, when we come to the ultimates, we find that it is in human nature that we have finally to put our trust, and it is questionable whether we could put it in anything more unstable and

treacherous. Faith, therefore, seems to be needed quite as much as experience, knowledge, and foresight, and we know, much too sadly, how frequently that faith has betrayed us. I do not say that there are no honest men to be found. I believe that there are many to be found if we search for them diligently enough. But the difficulty is to know *where* to search, and few men have the time and inclination to undertake the necessary labour. But even when we have found our honest men, we have by no means found everything. I have myself—and I do not think that my experience is unique—made the acquaintance of honest, upright men—men who would not stoop to do a mean action, yet who have been veritable simpletons, and who have been poor all their days because their consciences and likewise their understandings have been unable to contend with the strife and stress of business. They have been content to keep in the background. Peace and quietness have suited them better than contest and noise, and perhaps in a way they are to be envied.

But we have to take man as he is and life as it is, and if we put a certain trust in a man, at *his* request and upon *his* declarations, and are impressed by the man's earnest avowals to justify that trust, we do not expect him to play us falsely, but expect him, at least, to do his duty by us to the best of his ability. Unfortunately, it is rarely that we find the man who justifies that trust, who completes his vows, and who sternly does his duty in spite of the temptations that may lure him to

neglect it. Therefore, whenever we invest money, it is but the handing it over to other men, not friends who may be bound to us by the strong ties of affection, but strangers, those we have never seen, of whose antecedents and characters we know nothing, of whose ability and experience we are ignorant, and if this is not a risk, a wonderful phase of faith, then I don't know what risk and faith are.

But, assuming that we are fortunate enough in finding our honest men, we have to find out that their integrity is not their sole qualification. Honest men have before now brought companies and businesses to disaster, and ruined those who placed their confidence in them, whilst the dishonest have pursued their prosperous careers in the world, and enriched those who followed in their footsteps. A man may be dishonest, but he may possess that knowledge, experience, acumen, intuition, and foresight, that will make failure itself the very means to prosperity. He may make the best of this ability of his for the benefit of others, but he will certainly turn it to his own benefit first and greatest, and others must be content to get what he, advised by prudence and worldly wisdom, will give them. Therefore, whether we resolve to place our money at the disposal of the honest or the dishonest man must depend upon our own characters and dispositions, upon the degrees of sensitiveness of our own consciences, upon our conception of morality and virtue, upon our means and circumstances.

So much, therefore, for a philosophical view of the question that agitates us so profoundly—a view that it would be inadvisable to discard in a matter so important. If I had money to invest, I would certainly want to know something of the men in whose hands I would place it. These are the elements, the fundamentals, of prudence, though I am quite aware that the majority of men neglect them. This is not so necessary if we are content to speculate, for the success of speculation is dependent in a great measure upon the imprudence and foolishness of other men, and if we were all prudent and wise vast multitudes of the community would have to seek in other directions for their means of subsistence, and the problem of the unemployed would become acuter than it is. But for the moment I am speaking more particularly of investment, for, as I have said, it is quite distinct from speculation, and needs to be looked at from another point of view, and to be treated with a quite other method of analysis.

Therefore, to repeat my previous statement, elementary prudence would counsel us to place our money in the keeping of those who *would* and *could* employ it to the best advantage, and therefore our first act should be to try and find them. At the very outset, however, we are met with considerable difficulties. We receive the prospectus of a new company, and we read the statements therein, and weigh them to the best of our ability. Then we glance at the names of the directors, but the names, unfortunately, tell us very little of the qualifica-

tions they possess. Who are these men? What are they? Can anyone tell us? What are their characters, their antecedents, their past records? Our questions are unanswered. The prospectus is silent on this all-important matter. But the business looks promising. It *ought* to be a great success. The prospects favour it, but are the directors the men to *see* those prospects, and to make the most of them? Heaven alone knows, and poor, simple man has not the vision, the clairvoyance, to make the darkness clear. Therefore we must trust them; we can do no other. We at least know their names, and even their places of residence, and surely that will be some safeguard, some guarantee that they will do nothing to bring opprobrium upon themselves? It is, undoubtedly, something of a guarantee and safeguard, and should be sufficing if experience of the past did not implant doubt and distrust in us. It is true that we may learn something of the past records of these men, for some may have been prominently before the public, whilst others may be on the boards of other companies, may be what is known as 'guinea-pigs.' Therefore we look up the annals of these particular companies, in the 'Mining Manual,' say, and if we find that the majority of them have been failures our distrust is deepened.

We also have the means of finding out, as a rule, whether they have any special knowledge of the business which the company is undertaking, and if we find that they are wholly lacking in it—which is the most common discovery we make—it only

increases our perplexity and strengthens our mistrust of the future. Therefore, if we do put our money into the company, if we do buy shares which the prospectus invites us to subscribe to, we do so largely upon faith, upon the hope that everything will turn out all right ; and now and then we are fortunate enough to find that our faith is justified. If we wish to buy the shares merely as a speculation, to sell them again later on at a profit, then we have no need to make all these elaborate calculations, no need to worry ourselves with such anxious questionings, no need to trouble ourselves about the characters, ability, and qualifications of the directors. But that it would be wise to do so I shall try and show in another chapter.

Confining ourselves to mines, it cannot be disputed that few subscribe to new shares merely as an investment, as a lock-up. Those shares that may be regarded as sound investments are the shares of mines that have been thoroughly developed, that are of a good age, that have paid regular dividends for years, and that may be relied on to maintain those dividends for many years to come. The famous Mount Morgan mine is a typical example of this. This is a far sounder investment than many a high-class industrial share, and it is one, consequently, that is left severely alone by speculators. The fluctuations in the price of Mount Morgans from year's end to year's end are very narrow, hence it is not a gambling counter, and the shares are bought only by those who are content with the regular dividends it pays. Then,

again, many of the famous Rand mines are undoubtedly sound investments, provided they are not purchased in the market at inflated prices, and I hope later on to give a list of shares, with the prices at which they may be bought with comparative safety. I have already mentioned that some of the leading Indian mines are also investment securities, though there is a greater element of risk in them, inasmuch as the Colar gold-field is of a more patchy and less reliable character. And there are many others in various parts of the world, of which we hear very seldom, that make no big noise to attract us, that quietly pursue the even tenor of their prosperous ways, that have little or no influence in the mining market, that know but few fluctuations, simply because, though there may be no difficulty in finding buyers, the holders of them are disinclined to sell ; they are far too valuable as investment securities.

Therefore, we see there is a radical difference between investment-buying and speculation. Speculative shares are tossed about from one person to another, and are seldom retained in anyone's possession for long. It is these shares that influence the mining market for good and evil, that frequently determine its present and future course, whereas investment shares, especially when they are taken off the market to be held securely for a prolonged period, have little influence upon the market, the prices of them eventually finding their proper level, and fluctuating but narrowly either way.

Owing to the risks connected with mining, it is

not easy to affix the price at which shares may be purchased with safety. They naturally differ with circumstances. But, in every case, allowance ought always to be made for redemption of capital, and this it is that the majority of investors neglect to do. Though we cannot calculate the life of any mine with certainty, not even of a Rand mine, it is possible to tell by the quantity of ore in sight how many years it is certain to last, and therefore we may often calculate how much per cent. should be sunk every year for redemption of capital. Take the Mount Morgan mine, for instance. It has paid something like five and a half millions in dividends since 1886, and it is almost certain to last another fifty or sixty years. Therefore a buyer may easily calculate what amount of provision he should make to redeem the purchase price of his shares during that period.

But when we come to purchase such shares in the market, we find it somewhat difficult to get them, and hence the yield upon them at the price at which they are to be bought is small in comparison with the yield upon more speculative shares. At the moment of writing they stand at 4½, at which price I consider them a good purchase, the yield being about 7½ per cent., without making provision for redemption of capital. Most of the shares, however, being held by the directors and their friends, and the remainder being tightly held by holders all over the world, the shares are scarce, and therefore the market in them is a narrow one.

Still, when we come to weigh up the merits of mining shares and other shares as investments pure

and simple, we find that there is not so much to choose between them, after all, provided we can put a fair amount of trust in the people who manage the companies. In time we get to know who are the rogues and scoundrels, and we naturally avoid them, or should avoid them, as we do the plague. There are many men at this moment whose names are household words, men who have ruthlessly ruined thousands of people who were imprudent enough to put their confidence in them, and who, in spite of the dishonours thick upon them, still unblushingly, and with that effrontery that is the distinguishing characteristic of every rogue, smile upon their victims, and still attempt to cajole them with those hypocritical blandishments in which they are past-masters. Therefore we have to learn from experience—that is, if we eventually recover from that experience—how to distinguish between the arrant knaves and the better men, those who have, at least, sufficient self-respect to save them from downright scoundrelism. And thus we may avoid many pitfalls. There are many, of course, who will not learn from experience, who ignore the counsel of common-sense, who will even shake hands with those who have robbed them; but these are the hopeless cases, of which we need take no account, and to whom it is waste of labour to give any advice.

But if we wish only to speculate, to make our profits by buying and selling, the rogues will, of course, serve our turn as well as the honest men, and probably more effectively. All that we need

know in that case is when to buy and when to sell, and therefore acquaintance with the methods of these men will undoubtedly assist us greatly. Even should these men float a wild-cat—indeed, it is only by accident that they float any other—it is not a bad speculation to subscribe to those shares at once, for it is as certain as not that they will be rigged to high premiums, in order that the promoters, vendors and others may get rid of them, and therefore a profit may be made with almost absolute certainty. It is not a pleasant truth to admit, and it gives me no pleasure in stating it, but, unfortunately, no high moral purpose will be served by suppressing it. This being so, there are many men who condemn mining wholesale, and assert that no self-respecting man ought so much as to buy a mining share. But I do not see why the sins of the dishonest should be visited upon the honest, or why there should be a sudden stoppage of the mining industry because swindlers make their fortunes out of it. It is as logical as to say that we ought not to drink water because murderers have drowned people in it. There are rogues and swindlers in every trade and industry, and we have been endowed with reason and intelligence to protect us from them. If we neglect to make use of these attributes we must abide by the consequences. We may be lured to our ruin, but we are not dragged into it against our wills, and the progress of the world should not be stayed by the feeble-willed, for that would be a grave injustice to the strong-willed.

CHAPTER III

THE GOLDEN RULE OF SPECULATION

'If we wish only to speculate, to make our profits by buying and selling, the rogues will, of course, serve our turn as well as the honest men, and probably more effectively.' I quote this previous remark of mine because it cannot be dismissed in this summary fashion without being misapprehended. Leaving such a thing as morality entirely out of view, and conscious only of our eagerness to make quick profits on speculation pure and simple, it little matters to us what shares we choose so long as they are the best for our purpose. We may, indeed, be fully conscious that we are subscribing to a rotten company, but if it is brought out by Mr. Rogue we have but few apprehensions, because we feel a confidence in that gentleman's astuteness, in the wonderful power he wields, in the great influence he commands in spite of his sullied reputation. This man has done wonderful, almost miraculous, things in the past. He has persuaded the public, mainly by those subtle gifts of his, to support all his schemes enthusiastically, to help

him even with millions if he asked for them. And though there may not be a successful venture of his to which he can point, only a long list of disastrous failures, that does not in the least deter him from making further attempts, nor, marvellous to relate, has the least weight with the public to whom he has the audacity to appeal. Indeed, those very people whom he has reduced from comparative wealth to privation, instead of heaping curses on him for thus ruining them, only feel regret that they haven't a few more pounds to put into his latest project, so magnetic, so hypnotic, is this man's power over them, which seems to us, who look upon it with calmness and sadness, so incomprehensible. Nevertheless, experience teaches us that this is veritable human nature, not the puppets which novelists construct in human shape, but beings who have human blood flowing in their veins, who have brains, and who, in their intercourse with us, display evidence of reason and sanity.

But we, as speculators, must trade upon their shortcomings to our benefit, and thank the stars that there are such multitudes of people in the world whom we may use to our profit, or else we should come poorly off indeed. Mr. Rogue, therefore, conscious of his power over such people, brings out another of his wild schemes, and we who are discerning enough apply for shares in it. We do not intend to hold them, of course. We should not dream of buying them for that foolish purpose. We know, too, that Mr. Rogue has no

intention of holding his own shares, but is merely manufacturing worthless scrip to sell at a profit to those who will be only too eager to buy it, knowing that it will subsequently go to a premium. He would rather, indeed, that the public refrained from subscribing until they could get the shares only in the open market. And knowing that the shares will go to a premium, we also try to get them at par, and thus be a competitor with Mr. Rogue to sell them at a profit. We know that the latter can easily make a market in the shares, with the aid of the jobbers whom his company will employ. He can keep up the hopes of the shareholders and the public for a long time by means of cheerful reports, facile eloquence, and a subsidized press. Therefore such a man as that will serve our turn admirably, and though we may not have that esteem for him personally which would make us comfortable in his society, and though we may have that regard for our own characters that would make us mention his name with a blush, still, we can secretly use him as a means to our enrichment, and no one need be the wiser. Indeed, our personal friends, whose esteem we value, may be doing the very same, so that they could not conscientiously reprove us for our misdeeds.

But even then we may be the victims of our own cupidity and indiscretion. The shares may subsequently go to a premium, and we rejoice that we see a goodly profit held out to us and ready to be placed in our hands at our option. Still, however, we hesitate. We ask ourselves if we had better

be content with the profit that is already assured to us, or hold on for a while longer in the hope—the almost certain hope—that they will go higher still. The fall is bound to come some day. But there our knowledge is limited. It is impossible to foresee when that day will come. It may even overtake Mr. Rogue himself before he is prepared for it. We know that there is an unsubsidized as well as a subsidized press, and there is no knowing what they may suddenly find out. There are a few honest journals and journalists in London, even though it may be difficult to find them, and out of these few there may actually be one courageous enough to expose the whole thing and precipitate the collapse. We never know, you see. And it is impossible to find out. And even the courageous man may not have the power we dread. He may cause a momentary fright, but he is immediately overwhelmed with the execrations and taunts of the subsidized press—who scruple not to attack his motives and character—whilst Mr. Rogue himself at once convenes a special meeting, or issues a pamphlet, in which he travesties this lugubrious writer in a facetious, kindly, genial way, looking on him more in sorrow than in anger, and thus he makes his listeners laugh and restores their confidence. It is only those newspaper-writers again—because they have a grudge against Mr. Rogue—and they go gaily forth to repurchase the shares that they had previously sold, and know not, simple, guileless creatures, that they are being furnished out of Mr. Rogue's own resources, who

really now can afford to bless that financial writer for thus doing him a good turn.

It is a delicate, complicated business, look at it how you like, and requires almost superhuman insight and foresight to see into all the intricacies of it. But, assuming that the honest, courageous journalist does not make the discovery with which we hypothetically credit him, and assuming the entire press is silent, we are still far from safe. We see the shares advance day by day, we read excellent reports concerning it in the financial press—which may have options on the shares, and may be working the oracle in consequence—whilst Mr. Rogue himself raises our hopes by his eloquent speeches at the meetings of the company. Then, from time to time, letters appear in the financial papers, purporting to be written by independent people, speaking enthusiastically of the company's prospects, and computing that the shares ought to stand at such and such a price, that that price will be sure to be reached in time, and that shareholders, therefore, would be well advised to hold on. We experienced speculators may know precisely how this thing is done, that the letters are written by the 'shop,' or even by the editorial staff of the financial paper itself, but we only smile, because they serve our purpose admirably. There may certainly be a fall in the price the following day, either because the 'shop' has been selling or options have been exercised, but we are told that it is merely the usual profit-taking, and that the shares are bound further to advance in consequence

of the strong and influential support behind them. They do advance, but we still hold on, not yet satisfied with the profit we could make. At last they actually go up 100 per cent., and we are strongly tempted to sell out at last. But no! Our cupidity restrains us, especially as we see another $\frac{1}{8}$ put on the next day. They are talked to $2\frac{1}{2}$. That means, of course, that the 'shop' will not sell until the price reaches that figure, and, therefore, if we sell at $2\frac{3}{8}$ we shall be safe.

The next day, however, the bears have made an attack upon the shares, have invented and circulated the most alarming rumours and sold freely. The shares consequently drop to $1\frac{7}{8}$. Shall we sell? No. The bears are only up to their own tricks again, the rumours will be contradicted officially to-morrow; this will increase the demand, the bears will rush to cover, and the price will likely go higher than ever. In fact, the bears may probably be the 'shop' people themselves. Indeed, it seems most likely that they are. They know they will eventually 'rig' the price to $2\frac{1}{2}$, so that a scare would enable them to buy at lower prices. This seems so probable that we hold on, and rejoice at our decision, when we see the shares go at a bound to $2\frac{1}{4}$. Only another $\frac{1}{8}$ and we have made up our mind to sell out at an enormous profit. That price will be reached the following day, or, if not, for a certainty the day after, and we are safe.

Instead, however, we are alarmed to find the quotation the following morning at only £2. What has happened? The market report tells us that

there has been a 'tap' on; that there are a number of weak bulls in the market; that it is these people who have been selling; that it is rather a good sign than otherwise, as the position of the shares will be strengthened by getting rid of this weak element; that they are a great source of weakness to the market, and that once get the shares into strong hands, they will be sure to go to a higher figure. So that we are safe, after all, and we do not sell. The next day it is apparent that these weak holders have not been entirely eliminated, for the price falls to $1\frac{3}{4}$. No, we cannot sell at that. We have made so certain of a higher profit that we cannot bring ourselves to make so great a sacrifice, for it looks like a great sacrifice. We are disappointed, and we curse these weak 'bulls,' but, strange to say, our disappointment only makes us the more grimly determined to hold on. Surely to goodness it cannot last much longer? What is Mr. Rogue doing? He cannot regard this serious depreciation with indifference and equanimity. He is not the man to see his own profits dwindle in this way without making a great effort to stay the slump. It does not enter into our heads that Mr. Rogue is himself the weak holder, and, therefore, we still retain our confidence in the man in whose cleverness we have placed our hopes too long. No, he will move in time, when he thinks it prudent to do so, and, therefore, hope still sustains us to look forward to some definite and effective action on his part.

The slump, however, continues, and then suddenly the whole secret is revealed. Some enterprising journalist finds out that Mr. Rogue and the 'shop' have been selling, and as they would not sell unless they had some powerful reason for it, the whole concern must be another swindle of his. Everybody is now anxious to sell, and no buyers are to be found. The shares fall to a discount, and we ourselves sell out at last at the best price we can get, resolving impetuously to have nothing further to do with this scoundrel and swindler.

Therefore, we can now see clearly that there is only half a truth in my statement that rogues will serve our turn in speculation as well as the honest men, and probably more effectively. But they have not alone been responsible for our misfortune. We cannot lay the entire blame upon them. We speculated with our eyes open and our intelligences alert. We knew the characters by whose help we expected to benefit ourselves, and we have simply been the victims of our own cleverness and acuteness. The obvious inference from the illustration I have given is that we should always be content with small profits, no matter what disappointment we may suffer if we subsequently see that we could have made greater profits if we had run the risk of holding on longer. Therefore, a golden rule of speculation is: Be content with small profits. Though they may not make our fortunes rapidly, they undoubtedly greatly diminish our risks, and make our ultimate fortunes all the surer. We may be lucky in bringing off a great coup, but a subse-

quent effort to repeat it may ruin us, and where, therefore, is our gain? In fact, it is this rule upon which professionals and the most successful speculators invariably act.

It is equivalent to the other golden rule in investment: Be content with a small interest if you would invest your money safely.

Another advantage which speculation has over investment, especially if this rule is invariably acted upon, is that a man need not make so profound a study of mining in all its branches. Though a wide knowledge will undoubtedly greatly assist him and diminish his risks, he can get along fairly well by studying the market alone. But in ratio to his ignorance, both of the market and of mining, to say nothing of all the complicated influences that affect it, so must he be content with lesser profits, and all the longer patience will he have to exercise before he enriches himself to his satisfaction. Therefore, I would earnestly advise every man who has made up his mind to speculate in mining shares, not only to be content with small profits, but to make a study of mining, in order that he may be able to calculate with greater safety how small the profits should be; for what is small and sure in one case may be great and risky in another, and it is impossible to lay down any scale that will rigidly apply to every mining share. That scale each individual must draw up for himself, and he can do so only with the help of knowledge, and not with the haphazard method of ignorance.

The illustration I have given does not apply to every mine that is floated, nor even to every company that is floated by a well-known swindler. If we wish to speculate in what look to be honest, sound concerns, administered by boards of repute and managed by experts of recognised ability and standing, the more knowledge of mining we have the surer, of course, will be our success in speculation. It does not follow that every company floated under honest auspices will be a success. Far from it. But, at any rate, we are given every facility to judge of it ourselves, and if we cannot read reports, etc., with any understanding, if they are to us so much gibberish, then we are undoubtedly severely handicapped in our speculations. We ought to follow the developments of the mine week by week, and be able to make our own calculations as to its prospects, and thus we shall be able to speculate with greater safety and success.

Thus, speculation can become quite a scientific art, and it has been reduced to a science by those who study it. Therefore, I earnestly advise the ordinary man not to enter upon it light-heartedly. He must do it intelligently, and to do it intelligently will require assiduous study. It is not so easy a matter as speculating in other classes of shares, the study of which is not so complicated and laborious. But, then, he will be compensated by his greater opportunities. He will be repaid by an earlier and a more substantial reward. The risks are great, but knowledge will minimize them. But if he refuses to acquire that knowledge, and

trusts to luck, to certain sections of the financial press, to 'touts,' bucket-shop-keepers, and others, then he must put up with the consequences. And those consequences will frequently be disastrous.

To enumerate the occasions on which, through lack of this knowledge solely, speculators have been ruined, we should have to count by tens of thousands. And I am afraid we shall have to count them by tens of thousands in the future, unless the advice I tender is seriously taken to heart and acted upon. It is mainly on account of the gross ignorance that prevails that speculators and others buy shares at the height of a boom, and when they have already been rushed up to inflated prices. And for this reason they have blamed mining generally, instead of their own folly in speculating and investing in mine shares of whose merits they knew nothing, instead of studying their returns and prospects. A speculator, therefore, should make himself thoroughly acquainted with the mine and the company, should study not only the capital and the directorate, but the area, position, size of reefs, the value of the ore, the expected output, the ore in sight, the expenses of working, the profits made, etc., and I hope to be able to help him do so by further exposition on these essentials in subsequent chapters.

CHAPTER IV

DIRECTORATES

It is of the greatest importance to speculators as well as to investors to study the directorate of a mining company. It is apparent, however, from experience of the past, that this is one of the essentials that they neglect. Looking at it first of all from the speculative point of view, an incompetent and unbusiness-like board multiplies a speculator's risks. There is no calculating what harm such a board of directors might do, not only to the individual company over whose destinies they preside, but to the mining market also. This truth has been amply demonstrated to us of late in the West Australian market, and we know how the latter has frequently been demoralized in consequence. Assuming that we are speculators in West Australian shares, we suffer greatly from the mismanagement of one mine, for it affects the whole of the market, and brings about such a depreciation in all kinds of shares as may last for a prolonged period of time. It seems to be a law that cannot be altered, and therefore it would be wise of us

to make every provision for its manifold working.

To take a hypothetical instance. A number of very promising West Australian companies are floated, and we purchase lines of shares in each for the purpose of speculating in them. We confine ourselves to this group, say, for a year or two, buying and selling with judicious discernment, and making good profits. The most favourable reports are received from these mines from time to time, they are developing most promisingly; rich reefs are struck, and the assays go many ounces to the ton. The shares keep going up. We sell out, and make a profit, only to buy again when we see better prospects ahead. One of these mines, however, is being grossly mismanaged. The manager, say, is sending home anything but hopeful reports, which the directors suppress. The development of the mine is retarded for want of sufficient working capital, and the manager writes to his directors, giving certain advice and making certain recommendations, which the board do not understand, and to which they pay no heed. Their sole object is to keep up the price of the shares, and they instruct the manager to 'pick out the eyes of the mine,' regardless of the consequences. The manager, mindful only of keeping his situation, obeys his instructions, though knowing full well that the truth will come out one day, and that he might even be made the scapegoat. The directors borrow as much as they can, knowing that reconstruction would only bring down the price of the

shares on the market, which they feel must be avoided at all costs. They even order machinery of all kinds, before it is wanted, in order to keep up appearances, not having the foresight to see the disastrous consequences which will ensue when the truth is eventually made known.

No, the price of the shares must be maintained at all costs. And to help do this, and to take much of the burden off their own shoulders and to place it on that of others, they make the usual arrangements to have puffs circulated in various sections of the financial press. They may consider that they are acting in the interests of the shareholders, being far too ignorant to understand the requirements of the mine, and feeling confident, no doubt, that it will go along all right in some fashion or other. Therefore, when we read the reports from the manager, which have been cooked, and the cablegrams, which have received a similar treatment, we hold on tightly both to these shares and to others which we hold, feeling assured that there is nothing alarming or critical in the mine's condition, and that the probabilities are greatly in favour of the price further appreciating. But the truth is suddenly published. The directors see the inevitableness of it. But they break the news to the shareholders as gently as possible. The manager, they say, does not expect the present returns to be kept up during the following month or so, and therefore shareholders must prepare themselves for lesser monthly outputs for a time, The effect of this announcement is greatly to

frighten every holder, for they cannot but feel, owing to their past experiences of such things, that there is something more serious behind it. All kinds of rumours are at once put into circulation, and all sorts of motives imputed to the directors. The respectable portion of the financial press especially criticise them severely. A correspondent or a local expert is commissioned by them to visit the mine, but the manager, for obvious reasons, refuses to give him permission to inspect it. There can be but one inference from this, and that an unfavourable one, and the most of it is made by the bears and others. Then follows a serious slump in the shares, for everyone is anxious to sell and few are ready to buy.

But this is not the whole extent of the evil. It adversely affects the whole of the West Australian market, the shares of other companies falling away in sympathy. Everybody looks at it in the worst light. They conclude that there is a conspiracy amongst all the companies, and that they, the investors and speculators, had better 'get out' at the earliest moment. Thus the slump spreads, meaning losses of probably tens of thousands to holders, and it is impossible for the most reassuring reports to stay the panic. Shares that were standing at £10 fall to par, and all the result, you see, of the mismanagement and dishonesty of one board of directors. Such a board, therefore, has brought great losses on us as speculators, whereas if we had had but further knowledge of them we might have escaped those losses by accurately gauging the risks

we ran. This is merely one instance out of a varied assortment that could be brought forward as illustrations, but, nevertheless, it is so common a one that it should be sufficient to show the necessity of making ourselves acquainted with the business qualifications of boards of directors of mining companies.

An incompetent board can do an incalculable and a lasting amount of damage, which is not confined to narrow limits, but which is spread over a wide area. Therefore it is essential that a speculator in mining shares, if he wishes to minimize his risks, should feel assured that the administration of a company is in capable hands, for such men inspire confidence, no matter even though the mine may be disappointing; and there is nothing like confidence to give solid strength to a market. The mine, as I have said, may be a poor one, and may be giving disappointing results, but the holders of shares know that, if it can possibly be made a success, the directors are the men to make it, that they have the ability and the energy, that they have at their service the best expert advice, and, therefore, they back up their confidence by holding tightly to their shares. They may have to wait for years for results, as they have had to do in numerous instances—as in the case of the Mysore, to take a good example—but eventually they find their patience amply rewarded. It is not always, therefore, those mines that make a sensation at the start, as the famous Londonderry and many other West Australian mines did, that are the best for our

speculative purposes, and still less for investment. It takes years thoroughly to open up and develop a mine and equip it with the most appropriate machinery. But this is precisely what few directors understand, and what they refuse to learn, their sole desire being to force results in order to make a good market for the shares.

Only the other day one of the leading experts in England had a doleful tale to tell me of directorial nonchalance and indifference. He had been managing for some years a well-known mine in Australia—a mine that had been paying good dividends almost from its inception. Nevertheless, the mine was of a patchy nature, and he saw at once that the rich ore on which they were working when he went out to the mine would soon become exhausted. He therefore saw the necessity of making provision for this, and wrote home certain instructions to the directors. His fetish was also economical working, and he made the minutest calculations of the costs of everything, down to a box of matches, and sent these figures home to be studied by the directors, with advice, of course, as to the directions in which retrenchments could be made for the benefit of the mine. But time and years went on, and the board never so much as acknowledged the receipt of these communications, their sole wish being that he should keep up the returns at any cost, and even force them, if necessary.

He was so disgusted with them that he resolved to resign as soon as his agreement with them

terminated. When he came back to England to talk matters over with them, he was amazed to find that all his elaborate calculations had not even been looked at, let alone considered, but were lying pigeon-holed and covered with dust. This only strengthened his determination to resign. Shortly afterwards the rich ore gave out, and the mine is now let on tribute, and the English shareholders have probably received the last of their dividends.

This is the dilatory way in which the vast majority of boards of directors do their work, the chief desire being to keep up returns, to maintain profits and dividends, to pocket their high fees, and to go to no unnecessary labour in calculating how economies can be introduced, and thus how the profits and dividends might be increased. Neither do they trouble their heads much in considering the suggestions and recommendations of their mine managers, the labour being not only too great for them, but, in 98 per cent. of the cases, beyond their comprehensions, and hence the incalculable losses they bring upon shareholders, and the great harm they do to the mining industry generally. This ineptitude of administration is responsible for the numberless reconstructions to which we are getting so accustomed, and the abandonment of promising mines before they have been adequately developed. Mine managers, especially if they are not known and have no reputation, are merely the tools of these directorates, and have to obey orders or else lose their posts, probably with a stigma

upon their characters, for directors of this kind do not scruple to ruin a man by laying the blame upon him, especially if by so doing they can shield themselves. A mine manager's life, therefore, like a policeman's, is not in many cases a happy one, and, unfortunately, the precarious position in which he is placed does not add to the comfort of an ordinary shareholder's life.

But the necessity of having a competent and honest board of directors to manage a mining company is so self-evident that it is incomprehensible, looking at it with the eye of reason, how shareholders are so indifferent to it. They are indifferent to it, however, in spite of the serious consequences this indifference brings upon them, and I feel that it is almost a futile labour to impress the vital importance of it upon such people. The bitter experiences of the past seem to have taught them no lesson. The press, as well as numerous books, have preached to them from this text time out of number, and though they have listened with some attention, they have speedily forgotten the counsel, and have gone along in their old blind, groping fashion, falling into pitfall after pitfall, and knocking themselves against all kinds of hurtful obstacles, which to me seems an extraordinarily unpleasant experience to choose.

By some inexplicable fatuity of theirs they are contented and happy if they see the name of a lord or a sir upon the board of directors, no matter whether or not that lord or sir has proved himself to be an unscrupulous rogue. They do not trouble

to think that a lord may be as impecunious as any struggling individual without a title, and may jump at the chance of getting a hundred or two as a director of this company, and a hundred or two from other companies, with little or nothing to do for his money. In fact, a title has become in these days an invaluable asset to any man, an asset, however, that is of precious little value to the mining or any other industry. A lord may be well educated, but a good education is not the first nor the sole qualification of a director, especially of a director of a mining company. People do not seem to understand that business knowledge and aptitude, experience, common-sense, acumen, and intelligence, are far more essential, and plain Tom Jones may possess all these qualifications in an eminent degree. But, somehow or other, we turn up our nose at plain Tom Jones, and refuse to entrust the laying out of our capital to him. But let Tom Jones be knighted, or be made a lord for some distinguished service or other, and the man's whole nature and character and mental attributes undergo a magical change in our eyes, and he has but to beckon a finger and we obey it immediately. We would not dream of engaging an assistant in our own business or profession unless he came to us fully qualified, unless he was experienced and had a character above suspicion; but, strange to say, we do not obey these instincts in our public investments, nor take the precautions which are the first we think of in our private life. An impecunious lord may come to us and beg employment, but we

would as lief think of putting him in a position of trust and responsibility as we would a tramp out of the street. We may pity his condition, but all we could do would be to offer him some menial position, and bid him be thankful for it. Nor would we have that reverence for him which we seem to have for him in his public capacity, and though we should treat him with respect, we would perhaps look upon him as in some respects inferior to ourselves.

This is a peculiar trait of human nature, and needs penetrative insight and analysis to understand it. Probably the one and only explanation is that we feel vaguely that a lord would not disgrace himself as a public servant, and that the prominent position in which he had placed himself would be a guarantee that he would, at any rate, be an honest man. But many lords have shown themselves to be the most unscrupulous scoundrels unhanged. They have no respect for themselves, and therefore no respect and consideration for other people, their sole concern being self-enrichment and the pursuit of pleasure. Nor have they need to concern themselves much about their public conduct as directors, seeing that, no matter how dishonest they might be, no odium seems to be attached to them, and that they are held in as high estimation as though they had scrupled to conduct themselves as honest, upright men. Neither do they run much risk, even under the new law, of being punished, for though they might deserve it, there is a strange reluctance on the part of share-

holders and others to prosecute them. But even should they be honest men, they may still be utterly incompetent, as they commonly are, in fact, and mining companies cannot *drift* to success, in an aimless way, as most people seem to imagine. They require to be directed by sound intelligence, and if that intelligence is lacking, then it needs no special keenness of vision to foresee the consequences.

Therefore if I were to invest my money in any public company, mining or otherwise, I would take the first instinctive precaution to learn by what kind of men the business was to be administered. I would make sure that they knew something of the business, or the industry, that they engaged capable assistance and advice, and that they were intelligent enough to understand and act upon that advice, and honest enough to work faithfully for the success of the company. If I saw that the board of directors was not composed of such men, I might trouble to read through the prospectus, but it would undoubtedly greatly influence my opinions and direct my judgment, even though the particular business or mine seemed to me to be a promising one. For such men could easily ruin a business, however promising, and easily wreck a mine, however rich it might be. Therefore this is advice which I earnestly impress upon speculators and investors in mining companies, and I hope I shall not tender my advice in vain.

A mine-manager once cabled to his directors to say that a new shaft was urgently needed if the

mine was to be properly developed, and he hoped they would give him the necessary approval and money with which to commence the work without delay. Imagine the amazement of that mine-manager when the directors cabled out to him to ask him to try and get a second-hand shaft from somewhere, as they could not afford to buy a new one. And there are many boards equally as ignorant, and these are the kind of men to whom thousands of people will entrust their money. It is astounding! It is fatuity bordering on imbecility. There is no reason and common-sense in it. There is not ordinary child-like gumption in it, and yet when these people reap the consequences of their folly they lay the blame on anybody and anything rather than on themselves.

Incapable directors are, for the most part, as incompetence of all kinds generally is, extremely extravagant. Shareholders have, over and over again, therefore, just to take one phase of it, had many unpleasant experiences of the error of making haste too quickly in the erection of crushing plants. Mine-development should always be kept well ahead of the mill, but instead of carrying out this policy directors force the extraction. They urge their mine-managers into large expenditures upon crushing plants that are afterwards found to exceed the normal capacity of the mine-development. It is obvious that where a mill has to cease working because it has exhausted the available supply of ore, and has a crushing capacity in excess of the daily extraction from the mine, a serious waste of capital

results. Of late years the tendency in gold-mining has been to fuse as many claims as possible into one concern, to erect 200 or 300 stamps of the latest type, and to seek economy in working by doing everything on the monumental scale. It is not, in the first instance, conclusively shown that a large number of stamps results in a reduction in the cost per ton of obtaining gold. In fact, in a great number of instances the results point altogether to an opposite direction.

Where a mill has been erected in the anticipation of the opening up of the ore bodies, or in excess of the real capacity of the mine-plant, there is a strong temptation to prevent the shutting down of the mill by crushing unpayable stuff, or by sacrificing the payable plan of working in order to extract the more easily-got-at ore bodies. In cases of this kind, where a mill is kept supplied only with the utmost pressure upon the mine, such subsidiary operations as sorting and proper preliminary crushing are apt to be neglected. This is a main explanation for some of the cases where the installation of large and heavy batteries has been followed by an increase in the working expenses and a falling off in the yield. The anxiety for record outputs is not wholly conducive to economical working. Unceasing productiveness is a condition of profitable employment, provided the mine is sufficiently well developed. On the whole, perhaps, rather than erect huge installations, it is better to have a battery whose capacity is slightly below the maximum ore-supply, for

contingencies are constantly cropping up which interfere with the regular conduct of mine-operations. In one case it may be drought, in another scarcity of labour, in a third a sudden change in the character of working. It is obvious, therefore, that additional stamps, which are only intermittently at work, are in the nature of a white elephant.

Directors and shareholders should keep these facts carefully in mind when they deal with the naturally generous estimates of an engineer anxious to do things on a proper scale of magnitude. Innumerable are the cases in which the whole of the working capital has been expended in the erection of a large battery instead of pushing on development work. In Western Australia the futility of such a policy is added to by the uncertainty which has hitherto existed as to the most efficient and economical means of treating the ore. To spend large sums of money on a battery, when, for instance, there may not be sufficient water for working it, is an act which carries its own condemnation. Such costly mistakes have very frequently been made, however, and are likely to be made again, so long as directors and shareholders look upon early crushing as the first proof of the real value of a property. A more rational policy ought to be adopted by them, especially as they can be instructed by the history of the Witwatersrand. The success of ventures, such as the deep levels of the Rand, will result from the attention that has been given to development in antici-

pation of crushing, and they should constitute a powerful object lesson against the unreasonable desire for an output which too frequently means the wrecking of a promising mining property.

I have said quite enough in this chapter, I think, to show how vitally necessary it is for the speculator, and above all for the investor, to know the class of men who are on the directorate of the particular company whose shares he is buying. He may subscribe to those shares on the prospectus, or buy them in the market; nevertheless, in any case he should make it his business to find out whether the company and the mine are being capably and honestly managed. It may be difficult, and even impossible, to find out, but he, at any rate, may write for advice to the reputable portion of the financial press, or consult the various manuals—the 'Mining Manual,' or the 'Stock Exchange Year-Book'—that are published, giving a short record of the mine and the names of the directors. He can, at least, take every precaution; but few do this, and they come to grief in consequence.

CHAPTER V

CAPITAL, AREA, POSITION, SIZE OF REEFS, ETC.

After studying and satisfying one's self as to the directorate of a company, we should next look at the capital, which is equally as important a matter. Indeed, a company may have an honest and most capable board of directors, but if it be over or under capitalized, then its success is greatly jeopardized. Indeed, I do not think it would be exaggeration to say that one or other of these causes is responsible for the majority of failures of gold-mining, as well as of other companies; and unless investors, and even speculators, exercise more discretion in this essential matter, they must run many serious risks. If it be under-capitalized, for instance, then the mine cannot be properly developed, and recourse is had to reconstruction, or some other method of raising additional capital. All this, of course, is greatly against both the speculator and the investor, for a company that is continually undergoing reconstruction, or appealing to the shareholders for fresh capital, even if the mine be a very promising one, soon gets into bad odour. The

shares fall in price more and more, and hence the investor sees his capital steadily depreciate, whilst to the speculator such a share is no longer useful; or, at least, it is useless for a time, and thus it is the loss to him of an opportunity, and the more the opportunities the greater the chances of success he has.

Without adequate capital, therefore, a mining company, like any other business concern, cannot make headway, whilst if it be overburdened with capital, though the mine may be developed in a thorough manner and equipped with the best machinery, it may not be able to earn sufficient profits to give a return upon its capital. Therefore, as an investment it is a failure, and as no one puts money into a company merely with a philanthropic object, to provide a means of living for the directors, officials, and servants, no man in his senses would think of buying the shares. The mine may be turning out tons of rich ore, going an ounce or two ounces to the ton, but, all the same, it may be working at a loss. Overcapitalization is more common than undercapitalization, and is responsible for the wreckages of a larger number of mines. It doesn't follow that because a mine is floated with a huge capital the major portion of that capital will be employed in the legitimate development of the mine. In the great majority of cases it is not. In the first place, the property may have been bought at an exorbitant price, far above its intrinsic value, the greater portion of it, therefore, going into the pockets of

the vendors and promoters. Then, out of a huge capital, quite an inadequate amount may be apportioned for working capital, altogether insufficient to develop the mine, and, therefore, in this case likewise early recourse is had to reconstruction, or debentures, or the issue of priority or preference shares, and thus an already huge capital is still further inflated, making ultimate success a still greater unlikelihood.

The most ordinary intelligence, therefore, will see the great, the vital importance of this matter; and yet it is a fact that the most ordinary intelligence rarely takes the trouble to see it. What is the earthly use of honest men attempting to make a success of an undertaking where the obstacles and difficulties are so many that success is impossible? Let us take the case of a man speculating in the shares of such a company. Everything looks exceedingly promising. Very few mines have been floated that have such brilliant prospects. It is situated in the heart of a rich and well-known district; it has been examined by well-known experts, who speak of it in terms of enthusiasm; and there is no lack of water, timber, labour, etc., and therefore it is bound to be an excellent medium for speculation. But this is one of the very reasons why the vendor puts a high price upon it, and why the promoters are only too willing to give it to him, knowing that they can ask the public any price they like for it, and that they will get it. Thus, its flotation is sure to be a success, and they will have all the more to pocket

for themselves. But as a speculator we forget all this. We do not trouble our heads about it. We are not investing our money in it, and, therefore, it matters little whether the company is a success or not in the long-run. So we subscribe to the shares and get an allotment, and we make our calculations as to how long we should hold them before selling them again.

But for once in a way reason prevails. The public do not subscribe to the extent the promoter anticipated, and recourse is had to the underwriters. The public has the sense to see, or it has been forcibly pointed out to them, by some influential paper probably, that the company is grossly over-capitalized, and thus they are frightened. This is eventually made known, and naturally deters investors and speculators from buying and dealing in the shares. It is known that the vendors and promoters have loaded themselves with scrip, that this scrip is bound to be thrown on the market before long, so until that is all absorbed speculation would be attended with too many risks. The shares are thus quoted at a discount even from the very commencement, and may not even reach par for many years, so that our little speculation in these shares is attended with loss. Thus it behoves us, even as speculators, to make a study of all these essentials, and not to ignore them entirely. They can be ignored with less risks in time of a boom, when the public are excited and eager to subscribe to anything in the way of mining shares, whatever their prospects or lack of prospects might be. But even

then miscalculation might easily be made, especially by holding on too long, for a collapse may come more suddenly than we anticipated.

The speculator runs as many risks, if not more, by speculating in the shares of an undercapitalized company, for a proposal for reconstruction may startle holders and the market before they are prepared for it, and thus knock prices down to a level at which all our gains may vanish like mist in the sun. Therefore, after all, the speculator cannot drift along so easily as he may think. He must take the trouble to calculate, and not trust entirely to luck, for those who make the most elaborate calculations are undoubtedly the most successful speculators. He would do well to bear in mind the amount of shares held by promoters and vendors, and calculate the effects of the selling of these—for such men do not keep scrip to look at—especially when the period approaches when they are marketable. For he may still be holding for the rise when he could secure a small profit, even until the very time arrives when the market is overwhelmed with scrip, and when dealers are putting prices down in consequence, for vendors and promoters will make sure of their money, even if they have to sell at a discount.

As for the investor, it is even of greater importance that he should assure himself that a company is not handicapped by too little capital, and not overburdened by too heavy a capital. In the first place, as I have said, he will find his investment lessened considerably in value by the issue of de-

bentures or preference shares—which will only be taken up with the bait of a large interest—or else he may be called upon to pay another assessment upon his shares in a reconstruction. Indeed, the company may ultimately be burdened with debentures, preference shares, and two or three reconstructions before the mine is adequately developed and making returns, and then those returns may not be sufficient to leave any interest on the ordinary shares after provision has been made for the debentures and preference shares. Thus he may wait patiently for years and years, and then find his shares as valueless as waste-paper, and curse mining instead of his own foolishness and lack of ordinary business discretion. It isn't as if this was a rare experience, and therefore that he had no precedent with which to guide him. It is the almost invariable fate—the exceptions being very, very rare—of all such companies. They are doomed to struggle from the very beginning of their careers, and probably never recover from their accumulating burdens and troubles. Therefore, another golden rule both for the investor and the speculator is: Avoid the shares of under-capitalized companies.

The risks are just as great if we invest our money in overcapitalized companies, for though such a company may never appeal for further capital, nor issue debentures, nor reconstruct, and may have enough money to develop the mine properly, yet it may never be able to earn sufficient profits to give us a dividend on our shares. The shares of such a

company are not likely to command a premium on the market, and they are far more likely to fall than rise. Therefore, as we invest our money with the sole object of getting a return on it, and as we see no likelihood of any return, great or small, then the investment is a failure and a loss to us, and should be avoided. From this the further rule may be deduced : Do not invest in overcapitalized companies, nor even speculate, if you would only run a minimum of risk.

But when we come to discuss the question as to what is an adequate capital, we find ourselves confronted with many difficulties, such as we do not encounter in the case of industrial and other companies. Where experts will differ no wonder the layman will find himself greatly perplexed. No golden rule can be laid down, and the capital, like many other things, must vary with the circumstances of each mine and company. We must in the majority of cases use our common-sense, and where that is lacking, then, of course, we must trust a great deal to chance. In the first place, the capital of a company should be in proportion to the area of the property which it is purchasing. The majority of experts, I believe, consider that for a good property of from 12 to 50 acres the capital should be fixed between £100,000 and £150,000, out of which sum a fair amount of working capital may be provided, both to develop the mine and to put up a fair-sized battery. But if the mine turns out to be a very poor one, the yield small, and the working expenses great, then, of

course, such a capital would be far too much, for no dividends could be paid upon it. No mining company, however, ought to be floated with less than £100,000, except in those cases where a great amount of development work has been done, where machinery is already provided, and where returns are about to be made. In such rare cases considerably less capital will be sufficient.

But we see some mines with quite a small area floated with a capital of half a million or three-quarters of a million, nearly all of which, with the exception of a small sum for working capital, is paid to the vendors and taken by the promoters, and in any such company I think it would invariably be wise not to put one's money. Some companies, on the other hand, take up properties of several thousands of acres, and are floated with an exceedingly small capital, but it is obvious that they do not intend to develop the whole of it. That would be impossible. They intend merely to open up a small area of it, and to float the rest of the property into subsidiary concerns, and thus make their profits out of promotion. These are chiefly finance and exploration companies, which meet with considerable success when a new gold-field is opened up, and thus they may be good speculative shares. But, as a rule, their lives are short and sweet, especially if the subsidiary companies turn out to be worthless, as we find to be frequently the case. But as these companies themselves are speculators, and make their profits by speculating in the market, they are great competitors of the

private speculator, though that competition might be of real assistance to the astute, clever man. Some of them turn out to be good investments, like the Consolidated Gold Fields of South Africa, the South African Gold Trust, Rand Mines, and one or two others, but, nevertheless, they must be regarded as, in the majority of cases, precarious and risky.

Such companies usually distribute their dividends in the way of scrip, and shareholders, for some reason or other, probably because they know no better, seem invariably satisfied with these, especially as they may enhance the price of the shares on the market. But this scrip, in the majority of cases, is absolutely worthless. It is very easy to manufacture such scrip, and it acts as a very good 'sop' when such companies have nothing in the way of solid cash to give the shareholders.

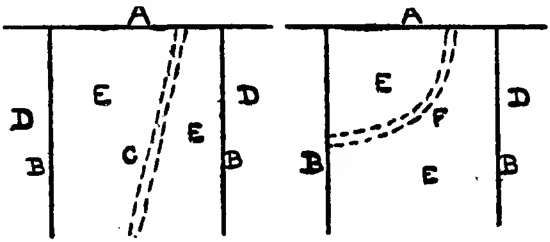
I should say myself that no mining company ought to be floated with a working capital of less than £30,000, and more often it should be quite £50,000, especially if there is any shaft to be sunk to a fairly good depth. But even this may be entirely inadequate to do all the necessary development work, so that to be within the region of safety, and to prevent recourse to reconstruction, £75,000 to £100,000 ought to be spent upon the mine, though even then more capital may ultimately be needed. But, as I have said, it will vary in individual cases, and no rigid rule can be laid down to suit every case. For instance, if it be unproved

ground, and only a trial-shaft has been sunk, or only a bore-hole put in here and there, more capital will be needed than in the case of a mine that has been already partially opened up. And so calculations must be made intelligently, and with the help of common-sense.

Another point to be considered is, as I have already pointed out, the area and extent of the property. Should the area be a very small one, say from 12 to 24 acres, it is not likely to crush any large amount of ore per month before it is worked out, and therefore the profits will not only be small, but the mine will be short-lived. The larger the area, therefore, the greater the returns and the profits ought to be, and the longer it will take to work out. But an area may be large, and yet altogether valueless as far as profit-earning may be concerned, for the reefs traversing it may be small and poor. Therefore the size and value of the reefs ought also to be taken into consideration. But even circumstances may differ greatly in these respects. A small area may yield vastly greater profits and have a longer life than large areas, so vitally dependent are they upon the number and quality of the reefs that may be found within them. Some small properties, especially in West Australia, are traversed by quite a network of small reefs, and hence they make enormous returns and make the fortunes of the original shareholders who invested their money in them.

Another important matter is to find out the dip of the reef, as a small property may contain as

great an amount of ore as one with a more extensive area, should the dip of the reef in the former be more vertical than that in the latter, meaning that it can be worked down to a great depth before it runs into the neighbouring property, whilst in the second case the reef may so flatten as to reach the boundary line at quite a shallow depth, and therefore be quite lost to the company working it. Thus, if we know the dip of a reef, it is knowledge that will be of the greatest use to us both in our speculations and investments. For instance, if a



MINE NO. 1. MINE NO. 2.

A, surface; B, boundary lines; C, vertical reef going to unknown depth; D, neighbouring properties; E, country rock; F, angle of reef dipping at shallow depth into neighbouring mine.

company is sinking a shaft to cut a reef at a certain depth, we may make a profit by calculating the depth at which it should be cut, by buying the shares at a low price and selling again when the price goes up, on the striking of the reef. Should the reef be a very rich one and still going down vertically, we may hold on for a considerable time and make a more handsome profit still, or we may

hold the shares as an investment for the dividends the mine will yield.

Therefore, there are a great many points which the investor and the speculator should study if he desires to minimize his risks and make his success as certain as it can be. To assist him in understanding what I mean by the dip of a reef, I have sketched out the two foregoing diagrams, which I hope he will find lucid enough.

CHAPTER VI

ECONOMICAL FACILITIES

There are many other points for the speculator and investor to consider in calculating the value and prospects of a mining property. Not the least important of these is its position, for though a mine may be opened up on a reputedly rich gold-field, this fact alone is no evidence that it will prove to be a rich mine, or even a moderately rich one, or even so much as contain a reef. Each mine must stand on its own merits, though this does not seem to impress itself upon the average speculator and investor. In fact, it is upon ignorance in this all-important matter that the promoter trades, to his immense profit, when a new gold-field is opened up.

Take the history of the West Australian Gold-field as an illustration, though there is not a gold-field that has been opened up that could not give a great number of typical examples. When the famous Coolgardie field was discovered and reported to be phenomenally rich, claims were pegged out in every conceivable direction, and these claims, whether worthless or not, were floated into innu-

merable companies, to which the public eagerly subscribed, merely because they were situated in the Coolgardie field, and merely on the reputation of one or two mines where rich patches of ore had been discovered. As I have already said, history repeats itself in this fashion on the discovery of every new gold-field, and that it will repeat itself in the future is as certain as that the sun will rise to-morrow morning. It is repeating itself at the time of writing in the case of West Africa, where some hundreds of companies have been floated in an incredibly short space of time, hardly 5 per cent. of which can hope for anything in the way of success.

In spite of the dulness prevailing in the mining market during the months of June and July, there is no cessation in the registration of West African companies, ready to be placed before the public when the promoters think the favourable opportunity has arrived. In the *Financial Times* a few days ago—July 18—I see that since the middle of May, and within a period of two calendar months, seventy-three companies have been registered, which was at a greater rate even than in the earlier months of the year. At that date, therefore, some 321 enterprises connected with West Africa have been floated, most of them within the past eighteen months, and goodness knows how many more will be floated before this book is finished and published. It is ridiculous to conclude that even a tithe of these will be successful. But, in order to select the most promising ones, that process and method

must be applied which I am endeavouring to sketch out.

Reverting to West Australia, how many of the Coolgardie companies that were floated in the early days are now so much as heard of? Coolgardie itself—which was a name to conjure with, which was enough to turn the heads of thousands of people—is almost forgotten, and Western Australia is now principally identified with the Kalgoorli gold-field, which is undoubtedly the richest portion of the colony so far discovered, and where the richest mines are at present working. But even Kalgoorli—or the Hannan's Field, by which it is more generally known—has been the scene of many failures and disappointments. When it was first discovered, it created just as much excitement as Coolgardie had formerly done, and company after company was floated by astute promoters merely on the strength of one or two rich mines. But we very rarely hear of these now, and many of them long ago passed into oblivion, leaving only a heritage of loss and ruin to foolish enthusiasts and ignorant investors and speculators.

A favourite device of the promoter is to give as part of the title of a new company the name of a rich and successful one, and the bait is generally found to be a most alluring one. The Bounder Mine, for instance, strikes an exceedingly rich reef, going many ounces to the ton, and immediately there ensues a strenuous contest between promoters as to who shall be the first out with the Great Bounder, the West Bounder, the East

Bounder, the South Bounder, the Bounder Extended, the Bounder Block, the Bounder Main Reef, etc., all of which are said to be in immediate proximity to the Bounder Mine itself, thus leaving the unreasoning public to infer that all these properties will be equally as rich. In the first place, instead of being in the immediate vicinity, they may be miles away, or, even if they may be next door to it, they may stand just as much chance of cutting the same reef as if they were situated in the heart of the city of London.

True, a rich reef may be struck in the Bounder Mine; but no one can tell, until the mine has been sufficiently opened up in depth, in what direction it may dip, or even whether the richness may continue at depth. It may become impoverished and unpayable, or a fault may throw it in a direction least expected, or it may even be lost altogether. Therefore a neighbouring mine may be as great a speculative venture as one opened up miles away, and this possibility should be sufficient to counsel the exercise of caution in subscribing to the shares of such companies.

It would be advisable to wait patiently, in the majority of cases, for the dip and quality of the reef to be ascertained with a great degree of certainty, and to buy at the very moment that evidence is given us, for the shares are likely to be a good purchase both as an investment and especially as a speculation. A rich reef may outcrop through a certain property, and claims may accordingly be pegged out along the outcrop with the idea that

the reef will dip in a certain direction. For instance, a claim may be pegged out to the north, in the hope and expectation that the reef will dip to the north, instead of which it dips to the south, and therefore the claim is quite worthless. Or a claim may be taken up on the west, with the idea that the reef will dip in a westerly direction, whereas at a shallow depth it will run quite sud-

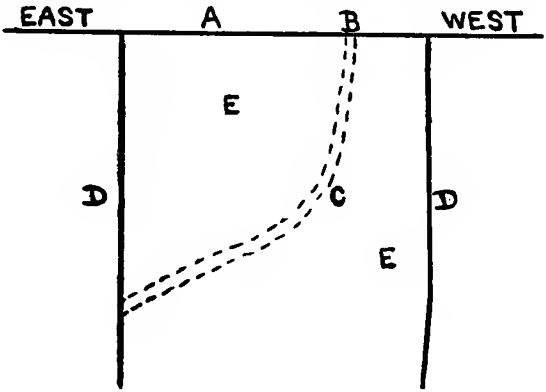


FIG. 1.

A, surface; B, outcrop of reef; C, reef dipping to the east; D, boundary lines of property; E, country rock.

denly in the opposite direction. Or the company that has taken up the claim where the outcrop of the rich reef has been discovered may make the mistake of pegging off its boundary line in the wrong place, on a wrong idea of the trend of the reef, and thus will find the major portion of its ground worthless. An illustration or two will make my meaning clearer.

In Fig. 1 it will be seen that the claim on the east stands a good chance of striking the reef at depth, whereas the claim on the west will not strike it at all.

Fig. 2 shows us the hopelessness of trying to find the reef in the property to the east, whilst in the west they are likely to strike it at a shallow depth, and thus it might turn out to be a more

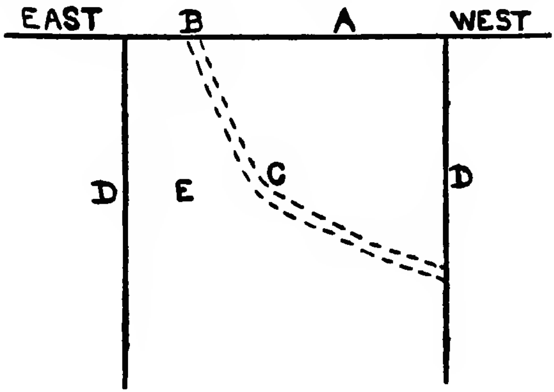


FIG. 2.

valuable claim than the original mine. Should the reef continue to flatten, it may go through several properties, as Fig. 3 will show.

These illustrations will show the great importance, then, of ascertaining the dip of the reef—a matter to which both investors and speculators pay too little heed. Though all the four mines are shown to have the reef, it may not be equally rich in all of them, and that is another important

point to consider. Moreover, the expense of working it in mine No. 1 will be less than in mine No. 2, and in the latter less than in mine No. 3, and so on; therefore working cost is a further matter that needs to be duly considered. In mines 3 and 4, for instance, the shafts will have to be sunk to a great depth before the reef is struck, and it will mean greater initial outlay than in the case of mine No. 1, and therefore will need a much larger

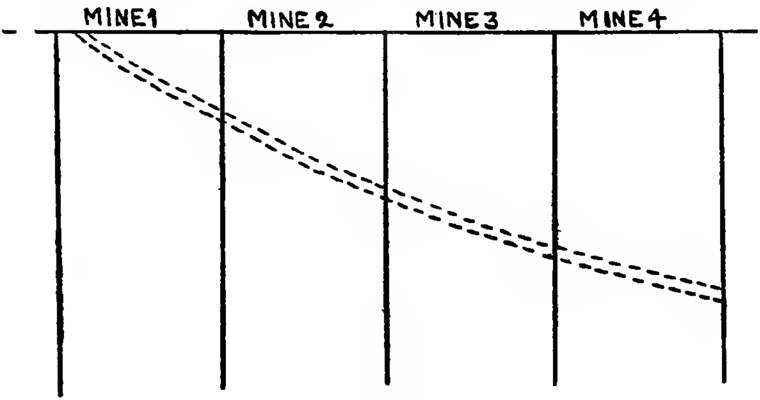


FIG. 3.

working capital with which to commence operations. Thus, shareholders may have to wait patiently for some years before that shaft can be sunk, and even when the reef is struck it may prove disappointing as far as its quality is concerned, and may prove altogether unpayable. That is to say, the yield may be so small as barely to cover working expenses, let alone leave anything

for profits and dividends, and therefore the shares of that company are worthless both for investment and speculation. Or the ore, which was free milling in mines No. 1 and 2, may be found to be refractory in the others, necessitating a special kind of plant and treatment. This special kind of plant and treatment may be far from easy to discover, and therefore may involve a great deal of labour, time and money in tests and experiments before a suitable one is found.

In the early days of gold-mining mines were worked only to shallow depths, simply because the expenses of sinking deeper were too excessive, and also those mines only were opened up where the ore could be easily extracted, those where only refractory ores existed being abandoned. Since then, however, mining and metallurgical science has advanced to such a degree that mines where the ore is very poor in yield—witness the Rand as a brilliant example—can be made to pay handsomely. For instance, on the Rand, in spite of a Government that was inimical to the industry, which burdened it excessively, ore yielding only 10 dwt. or 12 dwt. to the ton pay enormous dividends—100 or 200 per cent. being common—whilst on other gold-fields mines giving 1 oz. and over to the ton cannot even pay their way.

All this, of course, depends in a great measure upon working expenses and the degree to which the metal is extracted from its matrix, matters which must be studied with intelligence. On the Rand native labour has been very cheap, and that

has been greatly in favour of the mines, though from time to time it has been rendered inefficient and inadequate owing to the corrupt administration of the Government of the Transvaal. In the early days the field was condemned by many of the leading experts, who asserted that it could never be made to pay. But in spite of these predictions, which have been falsified, the Rand is not only the premier gold-field in the world, but its past glories are likely to be eclipsed by the future, and thus it is almost certain to maintain its pre-eminent position for many generations to come.

It was the process known as the 'cyanide process' (of which investors and speculators hear a great deal) that brought about the revolution in Rand mining, for by this process they were able to treat successfully what is known as the tailings, which before the discovery of the process were discarded as worthless. It is the treatment of these tailings that has been responsible for the success of Rand mining, and as the slimes will in future be likewise treated profitably, that success will be all the surer and greater.

But besides satisfying themselves on the points I have enumerated—such as the dip of the reef, the depth at which it will be struck, the initial outlay, its richness and payability, its nature and treatment, etc.—the investor and the speculator must find out what facilities exist for economical working. Water, for instance, is vitally necessary for the successful working of a mine ; and time after time we find incalculable damage done through droughts or

any other difficulty in obtaining an adequate supply of this necessary element. In the early days of Western Australia mining operations were seriously retarded through lack of it, and even now there is far from a sufficient supply of it, and mines have had to be shut down in consequence; in fact, it will be remembered that this was the question of questions, the problem of problems, discussed in the public press, at meetings of companies, and in the reports of directors and experts, and it was feared that unless the difficulty could be overcome the gold-field would be doomed.

The supply of water, therefore, is a very serious question for the investor and the speculator to consider if they would invest and speculate successfully; for if a mine has to be shut down through an insufficiency of it, it means a heavy fall in the price of the shares, and a loss on a year's working instead of a profit. Even on the Rand this scarcity has been seriously felt more than once, and probably will be felt again in the future, though, owing to the precautions that have been taken, it is not likely to be so acutely felt as in the past. Therefore, in reading a prospectus or in studying the situation of a mining property, we should make sure in our minds, not only that there is a plentiful supply of water, but that it is close at hand, and that it will not be difficult and expensive to get, otherwise this alone would be quite sufficient to insure the failure of a rich mine.

Timber and fuel are also vital necessities for a mine's success, and it should be ascertained if these

exist in abundance, and are inexpensively procurable. If they are not abundant anywhere in the neighbourhood, it means that they will have to be procured from a distance, at an outlay that will make appreciable inroads in the profits. Transport facilities is also another matter of supreme importance, the absence of which may make all the difference between success and failure. If there are no railways, it means great expense in getting machinery and necessary supplies to the mine, and also in despatching ore, metal, etc., away from it. All this will add enormously to the working expenses of a mine, and even be so great as to make even a 2-oz. ore unpayable. Therefore, because a mine may be uncommonly rich, it does not follow that it can be worked successfully, for the working expenses may swallow up all the returns, and there may be nothing left to divide amongst the shareholders. The shares of such a company, therefore, are not to be bought as an investment, and they are certainly not good for speculation.

Other matters to consider are the distance from the nearest port; the titles to the mine; the conditions and the length of the leases; the mining laws; if leases can be renewed, and on what terms; the supply of labour; wages of the skilled and unskilled; developments in neighbouring properties; the extent to which the mine is developed; what shafts have been sunk, and to what depth; what amount of dead work is to be done; when the reef is expected to be struck; whether the reef is

patchy; whether the ground is easily or with difficulty worked; the machinery on the mine, and likely to be needed; whether there is ample room for machinery, sites, dams, and tailings-pits ; the ore in sight ; width and average of the lode ; life of the mine, etc. These do not exhaust everything, but if due attention be paid to them, or most of them, it will correspondingly diminish the risks both of investment and speculation.

CHAPTER VII

EXPERTS

Another matter of the first importance which the investor and speculator cannot disregard with impunity is the trustworthiness and the ability of the expert. These men have a great power placed in their hands, a power which they can wield for good and evil, a power which will enable them easily to make the fortunes of some people and to ruin others. It is upon such men that we have to rely in the first and the last instance, and in ratio to their integrity and skill so are the risks we run in our investments and speculations.

First of all, in considering a new prospectus, our opinions upon the mine the merits of which we are invited to consider must be guided by the reports of the engineers who have examined it, and upon the views which they themselves have formed of its potentialities and prospects. But it does not follow that those reports are in the least trustworthy. Unfortunately, they are in far too many cases quite untrustworthy, and therefore the guidance we shall receive from them will be guid-

ance that may lead us far astray. No doubt many have heard the saying that there are three degrees of liars in the world—the ordinary liar, the d—— liar, and the mining expert. This may seem a most unkind reflection upon the mining engineer, yet it cannot be said to be altogether undeserved, especially as the unscrupulous lies of great numbers of them have brought dire misfortunes upon those guileless enough to believe in them. Mining engineers, like financial journalists, find themselves confronted by the most alluring temptations, against which the strongest will is helpless, but, unhappily, their falls bring with them the most disastrous and wide-spreading consequences. Hence the great importance of knowing the character of the men in whom we put our trust, for they are placed in positions of the greatest responsibility, and if they fail it will often be at our expense. Their fall may be the loss of their characters, but they will find compensation for that loss in the gain of a fortune, and most men will place a higher value upon the latter than upon the former : hence the innumerable risks we run.

A promoter knows, of course, that he will not succeed in floating his company unless he can attract and fascinate the public by glowing and enthusiastic reports from mining experts, and therefore to get such reports must be his first care. He finds it, however, anything but difficult, for he can find scores of men ready, for an ample consideration, to write precisely what they are instructed to write, whether they have seen the

mine or not. These men may be found in London, or they may be found locally by the vendor, but no matter where they are found, they can be made use of, for the public will be unable to find out whether they live in Whitechapel or on the gold-field, nor will it trouble its head about their credentials so long as the reports are such as to excite its cupidity or gambling instincts.

This fact may surprise many who may not have had much to do with gold-mining, but it is as well known and familiar a fact as that lawyers are ready to prove that the most desperate of criminals are innocent and virtuous men. On every gold-field—especially on every new gold-field—are swarms of men of every trade and profession who are afflicted with the gold-fever, and who have migrated from their homes in remote countries to try and make their fortunes in the new field. They may never have seen a gold-mine, nor quartz, in their lives, and may even think the gold is picked up as one picks up pebbles in the streets; but these are the men who have written, times out of number, and will write again and again, reports upon mining properties, at the dictation of the vendors and promoters, not knowing the meaning even of the phrases they write. It was so in the early days of Western Australia and Klondyke, it is being done at the present time in the case of West Africa, it has always been done, and will for ever be done so long as it is countenanced by the guileless investor, and so long as he refuses to discriminate in the matter.

The majority of these men have the habit of putting M.E. or E.M. after their names, which is just as ridiculous as a local dustman putting L.D. after his name, or a journalist putting M.P. after his name, representing that he is a member of the press. It means, of course, mining engineer or engineer of mining, although the investor himself may know quite as much about mining as they, and yet, somehow or other, there must be something in these two letters that is decidedly attractive. Therefore I, for one, whenever I see such initials appended to any man's name, become more suspicious and cautious, and read his report or reports with greater care and more critically, and in so doing am merely profiting from the lesson which experience has taught me. In nine cases out of ten, therefore, I may throw the prospectus on one side as unworthy of consideration.

It isn't as if a promoter would find any difficulty in getting a mining engineer of repute to examine and report upon his mine, but that engineer might speak the truth about it and condemn it, and it would be madness for the promoter to run such a risk as that. Moreover, it might take some time to get him and fix up terms, and in the meantime the gold-field may become unpopular, and thus his opportunity might be lost. No! time is of the greatest importance to him; he must get his reports without delay, and therefore he or the vendor goes to the first unscrupulous man he knows and gets him to write the report, either from dictation or from data furnished him.

Then the company is duly floated, the public take up the shares, and the vendor and promoter pocket their profits ; it drags on for some years, no results are forthcoming, reconstruction follows reconstruction, the shares are quoted at a shilling or two, and it ends its inglorious career in voluntary liquidation. Or the directors turn their attention to another part of the world, to another new gold-field, and take up options on other worthless properties, caring only for their fees, and luring the shareholders on by the vaguest of hopes. These companies may be counted by the thousand, and the folly of investors will continually add to their numbers. The shares of such, therefore, cannot be recommended either to the speculator or investor.

Furthermore, the shareholders in mining companies, good, bad, and indifferent, should see that the directors engage as mine-managers the best of their class, and this should be insisted upon all the more earnestly because it is the duty which boards of directors deem it prudent, in their own personal interests, to neglect. Utterly incompetent men, men who may never have been down a gold mine, or any other mine, in their lives, have been appointed managers of mines because directors knew they could make these men their tools, make them write what reports they required, and develop the mine in such a way as would enable them the more easily and successfully to gamble in the shares. Such directors would dread to have an honest and able mine-manager, for he would certainly go his own way and do what he considered best in the

interests of the mine and the shareholders, no matter what effect it might have upon the price of the shares, his duty being to make the mine pay dividends, and not to work it solely in the interests of gamblers and speculators.

If the mine is a very rich one, and is bound to be a great success, then, of course, the temptation to put an incompetent man in charge is not so great, for big dividends are sure to be earned, and therefore the price of the shares on the market is bound to go up. But sometimes an incompetent man—perhaps a relation or friend of one of the directors—is appointed manager, and he very soon succeeds in bringing disaster upon the mine, and perhaps in wrecking it, and, as this is by no means an infrequent experience, it must be guarded against. But it is at the worst mines where the incompetent manager is generally found, because he can be depended upon to write lying reports, instead of acquainting the shareholders with the real state of affairs, for his situation, at a good salary, is worth more to him than character and reputation.

It is obvious, of course, that unless there exist mutual confidence and harmonious co-operation between the board and their manager the failure of the enterprise is almost certainly foredoomed. There are two theories as to the class of men to whom the management of a mine should be entrusted, each of which has its ardent advocates, and the advantages and disadvantages of each are so nicely balanced that it is difficult to discriminate between them. According to one view, the manager

of a mine need not have any technical knowledge of mining, but be, above all, a thorough man of business, a good administrator, and shrewd economist. He could always, then, get good men as his subordinates, to whom each particular department could be entrusted, and who would be responsible to their chief for its proper working. The opposition theory is that the manager should be first and foremost an experienced technologist, practically versed in mining and in all other operations that have to be carried out under his supervision, at home in all work both above and below ground, capable of himself instructing his foreman in each department in case of need, whilst the charge of the office and accounts would be entrusted to a capable and trustworthy cashier or book-keeper. It is obvious that either system would work well if the manager is a man of general shrewdness and ability. The former, perhaps, makes less demands upon the manager and more on his staff, whilst the latter has this in its favour, that it leaves to the board of directors the work that they should be best qualified to do. On the other hand, the latter class of man is undoubtedly more difficult to find than the former. However, much depends upon the class of the mine, and principally whether the ore is or not treated on the spot. Contrast, for instance, a South African gold-mine, with its underground workings, its hoisting and pumping shafts, rock-breakers, stamp-mills, vanner-house, chlorination works and cyanide works, with a North American or Spanish iron ore

mine, that quarries out its ore, hand-picks it, and delivers it by an incline on to railway trucks, where it is sold straight away to the consumer. Obviously very few men can pretend to a sound practical knowledge of every branch of the former undertaking. Very few indeed there are who, as an ideal manager should be able to, could take the practical management of any one of the various departments that are under their general supervision, whilst in the latter, a man of business, who knows the iron ore market and is on friendly terms with all the leading consumers, is obviously a more suitable man than one who has only his technical knowledge to recommend him.

Obviously, therefore, a mine-manager must either be a mining engineer or must have one under him, according as one or the other of the two rival methods of mine-management above laid down be adopted. It is also obvious that in small concerns, and perhaps also in the initial stage of large ones, the method of selecting a non-technical mine-manager, and giving him a staff of experienced practical men under him, is too costly a method to be feasible. When, however, a large mine has been developed, and when, in addition to the mining proper, there are a number of more or less complicated processes of ore treatment that have to be worked in conjunction with it, the principle of making the responsible managership a purely administrative appointment, with competent engineers and technologists under him in charge of their respective departments (whilst the assayer in

his laboratory supplies the manager with a criterion of their working efficiency), has answered admirably, and some of the most successful mines in the world are organized on this principle. At the same time it is obvious that the mine must have in itself the essential elements of success; that is to say, it must be both large and rich to enable it to pay for this more expensive system of management, so that it is not quite easy to distinguish here between cause and effect, or to say to what extent the success is due to the inherent value of the mine, and to what extent to the system on which its management is organized. Perhaps the only safe conclusion to set down is that opportunist doctrines ought to be allowed to prevail in selecting a mine manager. If he is a good man, let him be in either category and arrange the rest of the staff to suit his idiosyncrasies, for good mine-managers are not to be found every day.

It will be seen, therefore, from what I have said, that, in addition to its importance, it is by no means an easy matter to get the right man in the right place; but that is no reason why the wrong man should be put in the wrong place. But when once the right man is got he is an invaluable servant to the company, and he will deserve to be paid a high salary. But some directors think that a moderate salary is quite good enough for a mine-manager, and thus they get only the limited ability for which they pay. Moreover, to pay him a good salary will go a long way to place him beyond the reach of temptation, or when temptation comes will

enable him the more successfully to resist it. For some of the most eminent men in the mining profession have succumbed to temptation, and there are many at this moment, who loom largely in the public eye, whose words are taken for gospel, whose opinions have the greatest influence, yet who have been responsible for the flotation of many worthless properties. Yet their reputation is as high as ever, and their names attached to any report, or appearing in any prospectus, will insure the success of that company, so dazzled are the public by their names, and so forgetful are they of their many past failures. It was not because ability failed these men in the past, but their morality, which the public do not know, but which they could easily learn if they used their intelligence and reason. So, when the best men fail us in this fashion—and their methods are subtle and not easy of detection—no wonder a man of strict integrity is invaluable. The pity is that it is so difficult to find him, and when he is found every effort is made to corrupt him, and if he is incorruptible then he may not be appreciated, and on some trivial pretext or other his services may be dispensed with. Or he may himself get thoroughly disgusted at the treatment he receives from the directors, and may thus leave at the expiration of his agreement.

The very best class of mine-manager is found on the Rand, and the results are seen in the marvellous success which has attended mining operations on this small and far from rich gold-field. It would

be a splendid thing, therefore, for the mining industry if the directors and shareholders of mining companies would follow the excellent example here set them, for undoubtedly the list of successful mines would be added to. Western Australia, on the other hand, has a bad repute, for we have witnessed in this colony during the past seven years more dishonest management than has been the experience, probably, of any other gold-field of its size in the world. When the eminent German expert, Herr Schmeisser, visited the colony, he had a most unpleasant tale to tell us of the class of men he found in charge of mines, and whose services had been requisitioned to report upon worthless properties for the benefit of the British capitalist. Do investors and speculators intend any longer to tolerate this state of things? If it had not been for these dishonest and disreputable men, both in London and in the colony, would we have had all those scandals which have recently disgraced West Australian mining and made it a by-word of reproach? Of course not. Think of the millions which guileless investors have sunk in the industry, and which have been as irretrievably lost to them as if they had thrown the money in the Atlantic Ocean.

Who are the individuals who have benefited from these scandals and this dishonesty? Not the speculator. He has speculated to his cost, especially when he has found those shares which he bought, say, at £10 suddenly fall to £3 through the dishonest management of a good mine. Who

hears of Klondyke in these days? We seem to have forgotten its existence. And yet how many hundreds of glowing reports were written by M.E.'s and others, who pocketed their fees and have never since been heard of! Will the experience be repeated in the case of West Africa? I am afraid so.

CHAPTER VIII

PROSPECTUS CRITICISM

We will now go together through two prospectuses, and for our purpose will select two that were advertised about the same date in the financial press. The first we will take is that of a West African company, the Tarkwa Concessions, Limited, which I give in full as it appeared in the *Financial News*:

THE TARKWA-TOMENTO CONCESSIONS, LIMITED

Capital £140,000 divided into 140,000 Shares of £1 each.

One half of the capital will be available to provide working capital, and one half to satisfy the purchase consideration.

The West African Agency, Limited, invite subscriptions for 60,000 *Shares at par.*

Payable: 2s. 6d. on allotment, 5s. one month after allotment, and the balance as required at not less than one month's notice. 40,000 of these Shares, which constitute the minimum subscription upon which the directors will proceed to allotment, have been underwritten.

Directors.

Colonel Lawrence Heyworth, J.P. (Director of the Central Argentine Railway Co., Ltd.), Chadacre Hall, Bury St. Edmunds (Chairman).

John E. Eastwood (Director Gold Coast Proprietary Mines, Ltd., and the West African Agency, Ltd.), Enton Lodge, Witley, Surrey.

Alexander Adamson (Shipbuilder, late Director and Manager of the Naval Construction Works, Barrow-in-Furness), St. Andrews, Chislehurst.

William Robert White, M.D. (Director Tarkwa Consols, Ltd.), Hazlehurst, Ticehurst, Sussex.

Bankers.

London, City and Midland Bank, 5, Threadneedle Street, E.C.; The Bank of West Africa, 17, Leadenhall Street, E.C.

Solicitors.

Ashurst, Morris, Crisp and Co., 17, Throgmorton Avenue, E.C.

Brokers.

R. A. McCulloch and Co., 28, Throgmorton Street, E.C., and Stock Exchange.

M. Mendellsohn, 6, Austin Friars, E.C., and Stock Exchange.

E. C. Gedge and Co., 166, Buchanan Street, Glasgow, and Stock Exchange.

Consulting Engineer.

Lester Rothschild, 54, Cornhill, E.C.

Secretary and Offices (pro tem.).

J. Nicholson, 16, Great St. Helens, E.C.

This Company is formed to acquire a part of the Aigahin Estate, which is bounded on the north-east by the Bonsah River, and on the west by the Ankobra River, the approximate position of which is shown on the map accompanying the Prospectus.

The Company will obtain a conveyance of the interest of

Quacoe Mensah in the property, which became vested in the Vendor Company's predecessor in title by purchase on a sale held under the order of the Supreme Court of the Gold Coast Colony. The certificate of title granted by the Supreme Court has been registered as No. 110, on page 237, of Vol. VII. of the Register of Conveyances of the Gold Coast Colony, and notice thereof has been given, in accordance with the recent Concessions Ordinance, 1900.

Captain GILBERT, M.E. (late Manager of the Tarkwa and Abosso Mines), who has had considerable experience of the banket mines in the Tarkwa District, has, under date May 8, 1901, reported upon the property as follows:

'The property is situated on the eastern side of the Ankobra River, and bounded on the north-east by the Bonsah River. The River Ankobra is tidal as far as the village of Tomento (see map); so that any class of machinery can be transported on lighters and surf-boats. The property is one day's journey by water, or about two days by road from the coast.

'It is situated close to some of the best known mines, viz., the Taquah, Tamsoo Ranges, Effuenta, Abontiakoon, Tarkwa and Abosso, etc. A large range or belt of lodes also traverse the north-west side, and therefore this property may be considered almost in the heart of the great mining industry. The extent of the property is about five square miles, thus allowing ample scope for the formation of subsidiary companies.

'REEFS AND NATIVE WORKINGS.—The reefs traversing this property are of banket formation, and in my opinion are of the same character as those found in the above-mentioned mines. It is proved beyond all doubt that the reefs of this district are of high grade, strong, and regular, traversing the country for miles, having well-defined walls, and mostly free-milling ore, which increases in value as depth is attained. There are numerous native shafts sunk on the outcrops and on the line of reefs on this property trending 43 degrees north-east and south-west, and up to the present time large numbers of natives constantly carry on their excavations and washings from the reefs and creeks. Portions of the native workings were under water when I was last on the property, so I was unable to discover to what extent the ancient workings were continued.

'ALLUVIAL.—There are large beds of alluvial composed of blue clay, sand, and pebbles, varying in thickness from 1 ft. to 3 ft. thick, and worth 1 oz. to the ton. This can be plainly seen passing up and down the River Ankobra. To work this at a good profit, water would have to be taken up by a ditch at Bonsah Junction. This scheme is well worth the attention of the Company, and no doubt large and profitable results will be obtained from this source alone, regardless of the deep covering above it.

'TIMBER.—There is no limit for all building, milling, and mining purposes, besides large quantities of mahogany that can be shipped at a profit, having the great advantage of Ankobra River.

'WATER.—There is an ample supply of water for all purposes, and if properly taken up above Bonsah Junction in good pipes, it would drive any kind of machinery, viz., stamps, pumping plant, electric works, etc., as the Ankobra would give a never-failing supply; so that this property has such facilities as only few have on the coast. Therefore, with modern machinery, the charges on returning should be reduced to the minimum.

'TRANSIT.—Taking the geographical position of this property, there will be no difficulty in transporting machinery and supplies for mining purposes. There is a good service of boats between Liverpool and Axim, thence by smaller boats to the mine. The property has considerable advantages over other properties which are further inland, and whose success is dependent upon a railway. Having the Ankobra River bounding the property on the north-west, and the Sekondi and Tarkwa Railway crossing the Bonsah River four miles north-east, it gives every facility for travelling and transporting supplies and machinery of any kind and weight.

'LABOUR.—I can only confirm Captain Louis Wyatt's statement; but so long as the boys get regular monthly wages it establishes their confidence in the employers, and any number can be procured from the Croo and Grand Bassam Coast.

'TITLE.—There can be no doubt about its validity. Knowing the history of this title, I can say that it is as follows: Quacoe Mensah owned this property, but through a deficiency of payments it was advertised and sold by sheriff sale in Axim,

and bought by a European under the sheriff's certificate. Therefore, no question can arise either from the Concession Court or any other source as to the validity of title on this property.

'GENERAL OBSERVATIONS.—Consolidating the statements I have made above with my original report of October 30, 1900, and confirming Captain Louis Wyatt's report of August 20, 1900, I most highly recommend this property as a good, sound mining investment, and when it is developed with modern appliances, with sufficient Capital under good and efficient management, it should yield large returns for the Capital invested therein. I have prepared a sketch-map for publication with my report, upon which I have shown in a pink colour the approximate position of your property, and have indicated by blue lines the course of the various reefs.'

Mr. LOUIS WYATT has made a report on the Aigahin Estate, dated August 20, 1900, upon which the Vendors agreed to purchase this property, and the following are some extracts therefrom:

'My knowledge of this portion of the Gold Coast extends over a period of twenty years, both as a Government official and as a prospector and miner, commencing as Commissioner of the Secondee District in 1877, and subsequently of the Axim District. In 1897 I was on this estate when on the coast for the Prestea Mines. When Commissioner of the district I had a road cut diagonally (N.E.) across this estate. This assisted me much in arriving at an estimate of the value of this property, and I have been over the estate several times since that period.

'Lodes outcrop, and the numerous rivulets are full of the quartz débris of all sizes from these. From all these rivulets the natives obtain gold by washing.

'The lodes of the district generally are of high grade, strong and regular, some running for miles with well-defined walls, and free milling.

'More or less over the whole estate numerous native shafts are to be found. Large numbers of these shafts are on the alluvials, and, so far as I could ascertain, good, and in some instances splendid results were obtained, but the natives were reticent on this point.

'This estate is in possession of two lines of communication, viz., the Sekondi Railway to the east, and the River Ankobra from Axim to the west (the River Bonsah can also be used on the north). It is of the latter I am most competent to speak. The River Ankobra and Bonsah being boundaries of the property, there is practically water transport from London or Liverpool to the mines.

'This accessibility of this property is of the greatest importance for economical working and rapid development.

'I have seen the copy of the "Certificate of Purchase" (under seal) of this estate, granted by the Supreme Court of the Gold Coast Colony, and which certificate was registered on December 13, 1899, as also an extract from the Government Gazette of March 31, 1900, notifying such registration. Such a certificate of the Supreme Court would be a good and valid freehold title to this estate. An advantage of a freehold title would be that the estate is not saddled with a yearly rent, thus obviating any danger of the title lapsing from default.'

The Articles of Association provide that the qualification of a Director is 200 Shares, and that the Board shall be entitled to receive, by way of remuneration in each year, £250 per annum for the Chairman and £150 for each Director, and 10 per cent. of the net profits of the Company remaining in that year, after payment to the members of a dividend of 10 per cent. on the amounts paid on their Shares, such remuneration not to exceed £5,000 in any year, and to be divided among the Directors in such proportions and manner as they shall from time to time agree, or, in default of agreement, equally, and any Director holding office for part of a year shall be entitled to a proportionate part of such remuneration.

The contract for purchase is dated June 6, 1901, and is made between the Wafricana Share Trust, Limited, of 158, Palmerston Buildings, London, E.C., and the Company. The price payable by the Company is £70,000, of which £40,000 is payable in fully-paid Shares of this Company and the balance in cash or fully-paid Shares, at the Directors' option; the Vendors also have, as part of the consideration, the right to subscribe and have allotted to them or their nominees, at par, 40,000 Shares in the original Capital of the Company at any time within one year. The purchase consideration will

be paid and allotted when a conveyance is executed by the West African Gold Mines and Estates, Limited, in favour of the Company, after which the Company will take any steps which may be deemed necessary to have the conveyance registered in the colony, and to comply with the Concessions Ordinance, 1900.

The Company has also by agreement dated June 6, 1901, and made with the Aigahina Corporation, Limited, 16, Great St. Helens, London, agreed within fourteen days after the Company shall be entitled to commence business to pay £10,000 to the Corporation for preliminary expenses—viz., those of and relating to the formation of this Company, the printing, issuing, and advertising of this Prospectus, and all other expenses (except registration fees and brokerage) up to allotment, including a commission of 5 per cent., agreed to be paid by the Corporation to various persons and corporations for underwriting 40,000 Shares, part of the present issue.

The following is a list of underwriters:—

The West African Agency, Limited, of Palmerston Buildings, E.C., are holders of 1,750 'A' parts and 1,500 'B' parts in the Wafricana Share Trust, Limited (hereinafter called the Trust), and have agreed to underwrite 5,000 Shares in this Company. Mr. J. E. Eastwood is a Director and holder of 550 'A' parts and 100 'B' parts in the Trust, and is a Director of the West African Agency, Limited, and holds 500 Shares therein, and has agreed to underwrite 1,000 Shares in this Company. Dr. White is a holder of 100 'A' parts in the Trust, and has agreed to underwrite 2,000 Shares in this Company. Mr. Adamson is a holder of 100 'A' parts in the Trust, and has agreed to underwrite 2,000 Shares in this Company.

The Company will pay to brokers a brokerage of 6d. per Share on Shares allotted on Forms of Application bearing brokers' stamps, estimated to amount to £1,000, and will pay the fees on registration of the Company, amounting to £383.

The following contracts have also been entered into: Contract dated October 2, 1900, between Benjamin Preston Harris, of 10, Shardiloes Road, New Cross, London, and James Taggart, of 52, Queen Victoria Street, London, whereby the

Aigahin Estate was agreed to be sold by the former to the latter for £1,650 in cash and £58,500 in Shares of the West African Gold Mines and Estates, Limited. Contract dated March 8, 1901, between the said James Taggart and the West African Gold Mines and Estates, Limited, of 20, Bucklersbury, London, whereby the said estate with other properties was agreed to be sold to the last-named Company for £200,000, partly in cash and partly in Shares, as therein mentioned, the Vendor also obtaining the right to subscribe at par for 99,993 £1 Shares in that Company; and a contract dated April 30, 1901, between that Company and the Wafricana Share Trust, Limited, of 158, Palmerston Buildings, London, for the sale to the Trust of (*inter alia*) the property to be acquired by this Company, in consideration of £300 in cash and 13,500 'A' parts and 2,700 'B' parts in the undertaking of the Trust. Two letters, each dated June 6, 1901, between Messrs. R. A. McCulloch and Co. and the Trust.

Copies of all the above contracts and the original reports, together with a print of the Memorandum and Articles of Association of the Company, can be inspected between two and four on any day during which the Subscription List is open, at the Solicitors' of the Company.

A copy of the Company's Memorandum of Association forms part of this Prospectus, and is printed in the fold.

It is intended in due course to apply to the Committee of the Stock Exchange, London, for a settlement in the Company's Shares.

Applications for Shares should be made on the Form accompanying the Prospectus, and sent to the Company's Bankers, with a remittance in the Bankers' favour for the amount of the deposit. If the number of shares allotted be less than the number applied for, the surplus amount paid on application will go in reduction of the sum payable on allotment, and the balance (if any) will be returned. Where no allotment is made the deposit will be returned in full.

Failure to pay the amount due on allotment or any future calls when due will render the Shares liable to forfeiture.

Prospectuses and Forms of Application may be obtained from the Bankers, Brokers, or Solicitors, or at the Office of the Company.

PROSPECTUS CRITICISM

This Prospectus has been duly filed with the Registrar of Joint-Stock Companies.
Dated June 8, 1901.

Looking first of all at the directorate, we find that Lords and Baronets have not been thrust into such positions for ornament; but that, with the exception of the chairman, they are all plain Mr's. They may be, or may not be, the right men in the right place, but that has subsequently to be proved. Any way, if they show themselves to be honest, business-like men, the shareholders will not have much to complain of in that respect. As for the consulting engineer, it is to be noticed that he is evidently no member of one of our recognised institutions, though that in itself is no evidence of his lack of ability. Any way, it would undoubtedly influence my judgment, to say the least.

This applies equally to Captain Gilbert, who merely puts M.E. after his name, and is evidently no M.I.M.M., F.R.S., F.G.S., etc., and therefore I cannot say, at the outset, that I am at all impressed by the initials as they stand. Nor am I impressed with Captain Gilbert's report, which in its vague and generalized statements is far too much like the ordinary prospectus report to please me. He first of all lays much stress on the transport facilities which, especially in a place like West Africa, are of vital importance, for in the absence of railways and good roads transport is exceedingly costly. But I do not think much of the facilities he describes, for unless they are greatly improved by the time the property is opened up, and about

to crush, they will, in all likelihood, place great difficulties in the way of its profitable working.

Then, it is situated, we are told, close to some of the best-known mines, but we must take particular notice of the words in this paragraph, for it is no logical deduction that because a large range or belt of lodes traverse the north-west side, therefore 'this property *may* be considered *almost* in the heart of the great mining district.' There may be several companies operating in some fashion for many miles around, but it does not follow, any more than it has followed in the case of Western Australia and other gold-fields, that this constitutes an industry, and still less a payable industry, for only one or two may meet with anything in the nature of success. But evidently this property is not even in the heart of the so-called industry, but *almost* in it, and therefore, as far as its particular value is concerned, taking this evidence alone, the statement is valueless. We want to know, with some definiteness, what reefs have been discovered in the property, or what reefs are likely to dip into it. However, in the next paragraph he says, 'The reefs traversing it are of the banket formation,' so there are some reefs evidently; but surely he could have given us some idea of their width and value. The word 'banket' means nothing by itself, for a banket formation may be as profitless as any other formation. Evidently his excuse for not knowing more was because when he was last on the property—when was that?—portions of the native workings were under water. Could he not have

assayed at some time or other portions of it? Thus, he is too indefinite, he commits himself to nothing in particular; it is but a vague generalization, and in the absence of other necessary particulars and details we cannot form any opinion as to the likelihood of the property being worked successfully, or whether the working capital will be sufficient or not to develop it thoroughly.

It may be beyond doubt, as he says, that the reefs are of high grade, strong and regular, etc.; but so are they in the Hannan's Field and many other gold-fields, where many mines are making no profits, and are likely to make none, so that a statement of this kind is of no help to us in estimating the value of this property in particular. There may be plenty of timber and water, but timber and water will not of themselves insure the success of a mine, if gold is wanting in payable quantities, and we must have more assured promises of this if we are to embark our money in the concern, or unless we are willing to speculate rashly. The title may also be secure—and in the case of a West African company this is of exceptional importance—but the title to a worthless property, or one of very doubtful value, is not sufficient to induce us to put our money into it, and hence we prefer to wait until a better one comes along.

There is not much more to be said of the report by Mr. Louis Wyatt. Indeed, it is to be noted that both are remarkably similar, as though one was merely a paraphrase of the other. Here we

also have indefiniteness of statement, without any details of the strike, thickness and assay values of the reefs, and the absence of these is quite enough to induce us to throw the prospectus on one side as unworthy of consideration.

Later on we have quite a medley of names of different West African companies, all of which seem to be interested in the promotion and flotation of the company. It is far too intricate to be worth the trouble of unravelling, and this alone would be quite sufficient for me to have nothing to do with the concern. The property seems to have been tossed about from one to the other until the West African Agency has finally come forward to invite subscriptions. It would certainly invite in vain as far as I am concerned.

I have criticised this prospectus as briefly as I could. It is a particularly useful one, inasmuch as it is the kind of prospectus that is most frequently published, the kind that undoubtedly makes a deep impression upon the critical. The reports are of the usual glowing description, and seem, on the face of them, highly plausible and attractive; but when we come to analyze them calmly, we find them sadly deficient and indefinite, leaving it to the temperaments of individuals to infer their own meanings and conclusions from them. We shall see what degree of success will attend this company in years to come.

We will now consider a prospectus of quite a different stamp. Indeed, both are very useful to us as offering the extreme types of these documents.

PROSPECTUS CRITICISM

Issued by the RHODESIA EXPLORATION AND DEVELOPMENT COMPANY, LIMITED, to whose Shareholders preference will be given in Allotment.

The Application List will open on Tuesday, the 11th June, 1901, and close on Friday, the 14th June, 1901.

THIS PROSPECTUS HAS BEEN DULY FILED WITH THE REGISTRAR OF JOINT STOCK COMPANIES.

THE

GATLING HILL GOLD MINING CO., LIMITED.

INCORPORATED UNDER THE COMPANIES ACTS, 1862 TO 1898.

Capital - £150,000,

In 150,000 Shares of £1 each, divided as follows:

75,000 will be allotted to the Vendors, as fully paid, in payment of the purchase price, viz. :—
57,461 to the Rhodesia Exploration and Development Company, Limited;
17,539 to the British South Africa Company.
25,000 will be held in reserve.
50,000 are now offered for Subscription at par (less amount subscribed by the British South Africa Company).
Payable: 2s. 6d. per Share on Application; 2s. 6d. per Share on Allotment, and the balance as and when required, in Calls not exceeding 5s. per Share, with intervals of at least One Month, and with not less than Fourteen Days notice.
The whole of the present issue will be available for Working Capital, less the cost of Registration of the Company, advertising and other expenses, limited to £1,500.

DIRECTORS.

HANS SAUER, M.D., The Mill House, Holmwood, Surrey (and Bulawayo), Member of Legislative Council, Rhodesia (Director of the Rhodesia Exploration and Development Company, Limited).
ALEXANDER DAVIDSON, 23, Upper Thames Street, E.C., Merchant (Director of the Rhodesia Exploration and Development Company, Limited).
WALTER F. FORBES, 64, Belgrave Road, S.W., Gentleman (Director of Crescens (Matabele) Mines and Lands Company, Limited).
A further Director will be Nominated by the British South Africa Company.

BANKERS.—UNION BANK OF SCOTLAND, LIMITED, 62, CORNHILL, E.C.

SOLICITORS.—GEORGE READER AND CO., Basildon House, Moorgate Street, E.C.

AUDITORS.—COOPER BROTHERS AND CO., 14, George Street, Mansion House, E.C.

BROKERS.—GOVETT, SONS AND CO., 4, Throgmorton Avenue, E.C.

SECRETARY AND REGISTERED OFFICES.—HERBERT GEORGE LATILLA, 15-16, George Street, Mansion House, E.C.

PROSPECTUS.

This Company was formed in April, 1899, for the purpose of acquiring certain Gold Mining Claims in the Belingwe District of Matabeleland, Rhodesia, the property of the Rhodesia Exploration and Development Company, Limited, and for the other purposes set out in the Memorandum of Association.

Development work has been continuously carried out upon the property from March, 1898, up to the present date. A sum exceeding £23,000 has been expended by the Vendors in opening up the mine, exclusive of cost of machinery, the full benefit of which accrues to this Company without any addition to the purchase price.

DESCRIPTION.—The property consists of 146 claims. There are a large number of old workings on the claims, some of them being of considerable extent.

Several parallel reefs occur on the property, the principal line of reef having every characteristic of a fissure vein.

Mr. TELFORD EDWARDS, Consulting Engineer of the Rhodesia Exploration and Development Company, Limited, in his Report, dated the 17th October, 1900, says:—

> 'The reefs are not of the lenticular order, occurring interbedded in altered sedimentary rocks, but bear all the accepted characteristics of fissure veins, and the rock formations immediately enclosing the reefs are apparently diabasic in character.'

MINING FACILITIES.—The position of the property will enable operations to be carried on under favourable conditions. The claims being comprised in one compact block, development expenses should be low.

There is a good supply of timber in the neighbourhood, which, it is anticipated, will meet all requirements of the Mine for fuel.

WATER.—The property is very favourably situated as regards water, the Ingesi River running within 2,000 yards of the Mine.

In a Report, dated 20th January, 1900, Mr. TELFORD EDWARDS makes the following remarks:—

> 'In the matter of water, the Gatling Hill Mine is more than usually well situated, and a pipe-line entailing a

length of about 1,800 yards would obtain a splendid supply from the Ingesi River, and while an excellent supply of water for cyanidation, battery and steam-producing purposes is thus readily obtainable, the Mine itself appears to be one which is going to be very free from water troubles.'

MINE DEVELOPMENTS.

As stated in Mr. TELFORD EDWARDS' report, dated the 17th October, 1900, at the 30th September, 1900, shafts and winzes had been sunk on the property, totalling altogether 1,518 ft., and 1,285 ft. 6 in. of driving and 856 ft. 6 in. of cross-cutting and rising had been done. It is estimated that at least 500 ft. have been sunk or driven since then, making in the aggregate not less than 4,160 ft. of sinking, driving, and cross-cutting. The results obtained are considered very satisfactory. In each shaft where the reef has been met, driving on the reef is being vigorously carried on.

STAMPS.—It is proposed to erect a 20-stamp battery, which it is thought should be ready to start crushing in about twelve months, at which date, as appears from the report of the Engineer, the Mine will be sufficiently opened up to keep well ahead of the battery.

REPORTS.—The following are further extracts from the reports of Mr. TELFORD EDWARDS, under whose supervision the Mine has been developed, and upon whose reports, together with those of the Mine Manager, the Directors base the statements as to the Mine appearing in this Prospectus.

Report dated 20th January, 1900:—

'CAPITALIZATION OF THE PROPERTY.—I think a proper nominal capitalization of a property like the Gatling Hill Mine would be from £130,000 to £150,000, while I think in order to develop another 25,000 tons of ore, and to properly equip the Mine with a modern 20-stamp mill, including cyanide works, buildings, pumping plant, etc., etc., would require a working capital of £50,000 to £60,000.

'As you will have noted from my quotation of Mr. EVANS' Report, dated 6th December, 1899, he anticipates that every six months, now that the Mine is

properly started, an additional 10,000 tons of ore could be opened up. I, therefore, think that with twelve months' active development from the present date, and providing no great stoppages occur through insufficiency of native labour, etc., the Mine should be made ready to start crushing.

'The three reefs which have been principally exploited are the "Junebug," the "Left Bower," and the "Mexican," the most work having been done on the "Left Bower."'

Report dated 17th October, 1900:

"Tonnage of ore developed, and values—

Developed in Mine	... ...	15,000
Ore at grass	... ...	500
Total	... ...	15,500 tons.
Average estimated recoverable value—Mill	... ...	7 dwt. per ton.
Cyanide or other process	... ...	3 " "
Total	... ...	10 dwt. per ton.

'SUMMARY OF ASSAYS MADE ON THE MINE DURING THE YEAR.

'The following is a summary of fire assay results obtained on the Gatling Hill Mine from 30th September, 1899, to 30th September, 1900, the whole of which assays have come from below the 1st, or 100 ft., level:—

Name of Reef.	No. of samples.	Average width. Inches.	Average value. Dwt.
Left Bower	176	33·06	13·21
Mexican	65	27·1	15·91
Total average	241	31·50	13·93

'GENERAL.—I will summarize the main points regarding the Gatling Hill Mine as follows:—

'(1) The reefs appear to be permanent ore occurrences.

The shute of good ore on the "Left Bower" has been sunk upon for 300 ft. vertical, and at that point it maintains good value and definement. The length of the shute at the 200 ft. level is better than at the 100 ft., and at the 300 ft. level it is, as far as can be seen, going to be at least quite as good as at 200 ft.

'(2) The "Mexican" Reef has been sunk on for 200 ft vertical, and at that depth shows a shute of ore, by development work so far done, 70 ft. in length, for an average width of 27 in., and with an average fire assay value of 27 dwt.

'(3) The Mine is fairly well situated for wood and water, and there are parallel reefs with old workings still unexploited.

'Looking at the net result of the development work done on the Gatling Hill property during the year, I am of opinion that it is decidedly encouraging, and the Mine is in a better position to-day than it has ever been before, and I look forward to this property, on a moderate capitalization, proving itself of a payable order, and it is in every way a genuine mining venture of moderate extent.'

Mr. Telford Edwards was last at the Mine in the early part of this year, and under date 28th January, 1901, he wrote :—

'During my visit to the Mine I resampled the 90 ft. of driving in the East Drive on the Mexican Reef at the 200 ft. level, with the result that 90 ft. of reef is very rich, my results being higher grade than Mr. Evans reported, three of the samples going over 100 dwt.'

The Mine Manager (Mr. Evans), in his reports as to the progress of work, repeatedly refers to the encouraging nature of the assay returns, and to the very promising outlook generally, as the following extracts show :—

'15th August, 1900.

'With further reference to development in the 2nd Level of the Mexican Reef, I am glad to say that since writing you last on this subject the developments carried out have been satisfactory. Up to yesterday I have 23 ft. of reef opened up with an average width of 28 in. The assay

value over this distance is 22 dwt. by milling assay and 24 dwt. by fire assay.

'I am glad also to remark that the No. 5 Winze still maintains its good value, and yesterday's sample milled 77 dwt. over a width of 28 in.'

'3rd September, 1900.

'No. 5 Winze.—The value of the reef opened up has been very good indeed, and although I cannot give you the average fire assay, the average milling assay is over 33 dwt. for a width of 27 in. This I consider very satisfactory, as it proves the depth continuity of the rich schute in the Left Bower Reef, to a depth of 300 ft.'

'Mexican 2nd Level.—The East Drive has been advanced 11 ft. on the reef, the total from the cross-cut now being 35 ft. The value of the reef opened up has been close upon 3 oz. over a width of over 2 ft.

'No. 5 Winze has been sunk 6 ft. in the period under review. The total depth is now 93 ft., which only leaves 7 ft. more, before starting off the 3rd Level. I am pleased to say the value of the reef is maintained, the last assay, from sample taken at 93 ft., showing a value of 23 dwt., over a width of 34 in.'

'1st October, 1900.

'Mexican Reef.—In comparison with this shute on the 1st Level, the 2nd Level comes out favourably, both in length and value, and working on the same basis in obtaining average values, the following are the respective results :—

	Length.	Width.	Value.
1st Level ...	40 ft. ...	27 in. ...	16·3 dwt.
2nd Level ...	70 ft. ...	27 in. ...	26·5 dwt.

'I think, however, that reducing all samples over 60 dwt. to this figure, is being hard on the average, as in the 2nd Level shute eight samples, all practically following each other, are over 60 dwt.

'No. 5 Winze.—This Winze has now reached the 300 ft. Level, and driving East and West has been started. The average width of the reef exposed is 35·2 in.

'This Winze has been remarkably good, and taking a

straight average of width and value, I find that with 43 samples the following result is arrived at:

Width.		Fire Assay.		Mill Assay.
30 in.	... ...	47 dwt.	... ...	28 dwt.

'This you will understand is taking a straight average right through, and allowing nothing for very high assays, but taking them in just as they are.'

'1st January, 1901.

'EAST DRIVE AT NO. 4 WINZE.—This lode is the continuation of that in 1st Level, West Drive; and it is striking South 55 degrees to 60 degrees East, is already exposed in this direction for 11 ft. from top of No. 4 Winze, and averages 11 in. in width and 8 dwt. 12 gr. assay, the last sample showing an improvement in both size and richness.'

As will be seen from the above, the Gatling Hill block has been proved to contain every prospect of becoming a payable mine, and it is thought that, with the moderate capitalization proposed, the property has great chances of success.

Inasmuch as there is a large number of reefs on the property, it is probable that, in addition to those already opened up, others of them will prove to be valuable.

Mr. Telford Edwards has laid out a series of cross-cuts, for the purpose of proving the value of the reefs not yet exploited. It is confidently expected that this work will expose further bodies of payable ore, and add considerably to the value of the mine.

WORKING COSTS.—Owing to the proximity of ample water and timber, it is estimated by Mr. Telford Edwards (in his report dated 28th April, 1899) that the mining costs should be very moderate, not exceeding 6-7 dwt.

The minimum subscription on which the Directors will proceed to allotment is 50,000 Shares, the total number now Offered for Subscription.

No promotion money nor underwriting commission will be paid.

By the Articles of Association it is provided as follows:

BY ARTICLE 80.—'Save as mentioned in Article 79, the qualification of a Director shall be the holding of not less than 200 Shares.' (Note: Article 79 exempts the

nominee of the British South Africa Company from complying with Clause 80.)

By Article 81.—'The Directors shall be paid out of the funds of the Company, by way of remuneration for their services, an amount equal to the sum of £150 per annum for each Director, with an additional £50 per annum for the Chairman, and such remuneration shall be divided among them in such proportion and manner as the Directors may determine.'

By Article 82.—'If any Director, being willing, shall be called upon to perform extra services, or to make any special exertion in residing or going abroad, or otherwise, for any of the purposes of the Company, the Company shall remunerate such Director either by a fixed sum or by a percentage of profits or otherwise, as may be determined by the Directors, and such remuneration may be either in addition to or in substitution for his share in the remuneration above provided.'

By Article 110.—'The remuneration of a Managing Director shall, subject to the provisions of any agreement, from time to time, be fixed by the Directors, and may be by way of salary or commission, or participation in profits, or by any or all of these modes.'

The Directors have had allotted to them by the Company the qualification Shares above-mentioned, and the Shares applied for by the signatories have also been allotted—in all 607 Shares.

The following Directors are interested in the formation of the Company and the property proposed to be acquired: Dr. Hans Sauer, A. Davidson (as Directors and Shareholders of the Rhodesia Exploration and Development Company, Limited—which Company is the Vendor to this Company).

A copy of the Company's Memorandum of Association is printed in the fold of the Prospectus, and forms part of the Prospectus.

Purchase.—The purchase price has been fixed by the Vendors (the Rhodesia Exploration and Development Company, Limited, 15-16, George Street, Mansion House, E.C.), who are also the promoters of the Company, at £75,000, which includes the amount payable to the British South Africa

Company for the purchase of their interest, payable in fully-paid Shares, and these Shares are, by the contracts mentioned below, agreed to be issued as fully paid accordingly, for the purchase of the property discharged from the claims of the Chartered Company.

The only agreements entered into are one between the Rhodesia Exploration and Development Company, Limited, the British South Africa Company, and the Gatling Hill Gold Mining Company, Limited, dated 8th May, 1901; and one between the Rhodesia Exploration and Development Company, Limited, and the Gatling Hill Gold Mining Company, Limited, dated 20th March, 1901, copies of which, and of the Memorandum and Articles of Association of the Company, and of the full reports of Mr. Telford Edwards and Mr. Evans, above referred to, may be seen at the Offices of the Solicitors to the Company, between the hours of ten and four o'clock, on each day during which the Subscription List is open.

The British South Africa Company have had the property examined by their Engineer, and have agreed, by the first above-mentioned agreement, and subject to the terms thereof, to subscribe for a substantial amount of Working Capital.

Prospectuses and Application Forms can be obtained from the Bankers, Brokers, and Solicitors, the Offices of the Company, and of the Rhodesia Exploration and Development Company, Limited, 15-16, George Street, Mansion House, London, E.C.

Dated this 10th day of June, 1901.

Although Rhodesia has not yet proved itself to be a payable gold-field, and the evidence of that has still to be furnished us, this company appears to be an undoubtedly promising venture. It is not an undeveloped mine, like so many that are floated, for £23,000 has been expended in opening it up, exclusive of the cost of machinery, so that the £50,000 available for working capital would appear to be ample; whilst the purchase price of it seems

to be anything but excessive. The mine, therefore, is practically on the eve of crushing, whilst three reefs have so far been worked upon, the result being encouraging enough to induce us to exploit them further.

True, there seems to be one great drawback, and that is the lowness of yield. Therefore the working expenses must be correspondingly low to leave a margin for profit. But the reefs are wide and of a good length, whilst the assays here and there run over an ounce to the ton. As Mr. Telford Edwards thinks the working costs will not exceed 6 dwt. to 7 dwt. to the ton, profits should be earned, though they are not likely to be high, and therefore those who invest and speculate in the shares should be cautious as to the price at which they purchase them. Of course, there is every chance that other reefs will be discovered in the course of development, which will enhance the values of the property and the shares; hence the importance of following closely the opening up of the mine. On the whole, however, this is a property which, if properly and honestly managed—it has, at any rate, been put before the public honestly, which is a great deal in its favour—offers many chances of success, and therefore the shares are undoubtedly attractive as a speculation, and perhaps later on they may be a good investment. It is, to say the least, anything but a blind speculation.

CHAPTER IX

HOW BARGAINS ARE TRANSACTED

It is a singular fact that great numbers of people speculate in mining and other shares, and yet they are not only ignorant of the nature and value of the stock or share they buy and sell—depending in innumerable cases upon the opinions of friends, puffs in newspapers, or tips from 'touts' and bucket-shop-keepers—but they do not even know how a bargain is actually transacted. They may know what a broker is—that is, the man who buys and sells the shares for them—but of how he buys and sells and to whom and from whom he does so, they haven't the faintest idea. They hear and read of dealers and jobbers, but what class of men they are and what their particular business in life is they haven't the faintest notion. Therefore, as I am writing this book for the help not only of those who have already speculated and invested, but also for the benefit of speculators and investors to come, it is essential that I should devote a chapter to an explication of the manner in which bargains are transacted on the Stock Exchange.

Most men who buy a share know that they must, in the first place, hire a broker to do this little business for them. Naturally, however, knowing nothing of brokers, they either go to a friend to recommend one, or write to some editor to recommend one, or go to their bankers for advice. There are in the land two classes of brokers—the inside broker and the outside broker—the first meaning that he is a member of the Stock Exchange, and the latter that he is no member of an institution of the kind. The Stock Exchange is governed by a committee chosen from amongst its own members, and its laws and regulations are very strict; so that, though the Stock Exchange is associated in the popular mind with an inferno of gambling and vice, there is really no institution in the country where the rules so strongly insist upon the most honourable dealings between its members. The most scrupulous honesty is insisted upon, so that the public need have no qualms in engaging a member of such an institution, for, though they are by no means saints, they are hedged around with so many restrictions that dishonourable and disgraceful conduct in their dealings is next to impossible. The committee has the power of expelling or suspending a member for any culpable conduct of this kind, and as this is a terrible penalty for any member to pay, they have to walk very warily indeed. Members are also expelled when they are not able to meet their liabilities, no matter whether it is their own fault or that of other

people. The rule is drastic and is never departed from, and the punishment is made all the greater by the names of the defaulters being published in the House and likewise sent to the press to be made widely known amongst the public. Another strict rule is that no member of the Stock Exchange is allowed to advertise for business; so that those who do advertise are outside brokers, or 'bucket-shop-keepers,' as they are satirically and reproachfully called.

It does not necessarily follow, however, that because a man is an outside broker, or a 'bucket-shop-keeper,' he is therefore dishonest. Many are undoubtedly honest men, but, nevertheless, the public is not protected so strictly and guardedly as in the case of inside brokers, and personally, therefore, I would prefer to employ a member of the Stock Exchange, where the scope for dishonesty and fraud is restricted. Moreover, even though the outside broker may be an honest man, he is necessarily limited in his scope of action. He cannot altogether do without the Stock Exchange, and his facilities for dealing are not so many and so free as in the case of him who does everything through that institution.

Therefore, having engaged our broker and commissioned him to buy, say, 300 Modderfonteins, he straightway goes to what is known as the South African market in the Stock Exchange, which is no particular place railed off, or built off, but is merely a spot or a corner where the dealers in South African shares take up their stand, and where they

will invariably be found. There is thus a section in every part of the 'House' devoted to some particular market—to Home Rails, for instance, American Rails, Foreign Government Securities, West Australian shares, etc., and instead, therefore, of wandering all over the building to find someone who has Modderfonteins to sell, the broker goes straight to the place where he will be certain to find the man he wants, and who will supply him with those commodities. He goes to the jobber, or the dealer, two words signifying one and the same class of man, and who is identical with the wholesale merchant in our trade and commercial transactions.

For instance, if a tradesman wants to buy a certain class of goods, he does not go round to other tradesmen for them, but he goes direct to the wholesale manufacturer or merchant, where he knows he will get any quantity he wants. A broker, therefore, when he is commissioned by his client to purchase certain shares, say Modderfonteins, does not go round to other brokers to ask if they have any Modderfonteins to sell, but goes at once into the Stock Exchange to the mart where such shares are dealt in. Thus, we find the jobber to be nothing more or less than the wholesale merchant, who has a supply of these particular shares on hand, as it were, or will get them for us eventually. The broker will ask him to name a price for Modderfonteins, without telling the jobber whether he wishes to buy or sell them. The jobber, of course, may refuse to give a price, but if he does, then he

is bound either to buy or sell those shares at the broker's option. He always gives two prices—that at which he is prepared to buy, and that at which he is prepared to sell—and this explains why in the lists of prices which we see in our newspapers two prices are invariably given. For instance, he may answer that he makes the price in Modderfonteins $11\frac{11}{16}$—$11\frac{13}{16}$, meaning that he is prepared to sell at the higher price and to buy at the lower, so that the broker being a buyer of the shares would have to give $11\frac{13}{16}$.

It will be seen that there is a difference of $\frac{1}{8}$ in the two prices, and this represents what is called the jobber's profit, or turn, as it is more generally called, and this would amount to a goodly sum on a big transaction. But considering that this profit is not assured to him, and that he has to run a risk of getting it, it is not more than the jobber is entitled to. For, as speculators well know, the prices of shares, unlike those of commodities, do not stand still for long, and this is the case in mining shares more than in other shares. They are continually fluctuating. For instance, an hour or two after the above transaction has taken place there may be a rise in the price of Modderfonteins, either on good news or bull buying, and hence, instead of making a profit, the jobber may incur a considerable loss, for he would have to give a higher price for the shares if he had to buy them than that at which he had sold them. Or, if he had bought the shares of the broker at the lower price, he would want to sell them again, and if, for

some reason or other, the price moved down, he might get less than he gave for them. So that, it will be seen, his profit is not always assured to him.

Sometimes we find that there is a wider margin in the prices than $\frac{1}{8}$, which means that in such cases the market is a narrower one, and therefore in order to protect himself the jobber takes less risks. For instance, there is a much freer market in Modderfonteins than in Aladdin's Lamp, and thus for the latter he may quote $\frac{5}{16}$—$\frac{9}{16}$, with a difference of $\frac{1}{4}$. In many shares, especially in other markets, the quotations may be much wider even than this, and generally in such cases the transaction is a matter of negotiation. Thus, readers will at once see what is meant by a narrow and a wide margin, and what significance it generally carries. In their newspaper articles, however, they will generally see only one price given, and this is always the middle price, which in the case of Modderfonteins would be $11\frac{3}{4}$, and in the case of Aladdin's Lamp $\frac{7}{16}$, showing to the reader that if he wants to buy he would have to give a little more, and if he wanted to sell he would receive a little less, than the middle price given.

Therefore, having transacted this bargain and bought these 300 Modderfontein shares, the broker desires to know whether we wish to pay for them in cash—that is, at once—or at the next settlement; and as very few bargains are done for cash, we tell him we will pay for the shares at the next settlement, which I will deal with more fully in the next

chapter. He therefore remits us an 'advice' note of the bargain done, and also a 'contract' note, in which he sets out the amount of the security he has bought or sold, with the price at which the bargain has been transacted, the commission he charges, the stamp duties we have to pay, and the transfer fee charged by the company.

The stamp duties charged by the Government are of two kinds. For any contract over £5 in value a penny stamp is paid if the bargain is below £100, and a shilling stamp if it is in excess of that value. In addition it charges duties on the conveyance or transfer of stock and shares, the charge being 6d. for each £5 or part of £5 up to £25, and 2s. 6d. over £25 up to £300, and 5s. for each £50 over £300. In those cases, however, where shares have been transferred to another person in the way of a gift or for any nominal consideration, the stamp fee is 10s. for each deed. As for the transfer fee of the company, that is generally at the uniform rate of 2s. 6d. The client will duly receive the transfer form after the settlement, and from that moment his name will appear in the books of the company as the holder of the shares.

Thus, it will be seen that every bargain is concluded with wonderfully little trouble, especially to the buyer or seller. The broker, for his commission, sees the whole thing through from beginning to end, and his client has little or nothing to worry himself about. It seems a very complicated business to the outsider, but everything is done in so methodical a way that a hitch of any kind would

be almost like a miracle. Thus, a person wishing to speculate in mining or any other shares need not be deterred from doing so because he fears the trouble and worries of the business will be too much for him. He will have no trouble, and his only worry will be whether he has bought the right share at the right time and the right price, and though his broker may give him advice in the matter it will not be infallible. He should not trust to brokers entirely, for he may know more than they, and though they may advise clients to the best of their ability, it may be far from the best advice he could get elsewhere. A broker is merely the medium between the public and the dealer, and there his duty ends. He is not supposed to advise, and he often does so with reluctance, for he may lose a great deal if the advice be misleading. But the outside broker is always advising, for this is his method of attracting clients and extending his business.

CHAPTER X

OTHER POINTS EXPLAINED

In the previous chapter I spoke of the fortnightly settlements on the Stock Exchange, and I promised to give a fuller explanation of them in this. The meaning of it is connoted by the word itself. Every fortnight all the bargains transacted during the account—which is the period that runs from settlement to settlement—are settled up, the days being fixed by the committee some time in advance. The great bulk of the transactions on the Stock Exchange are done, as I have already said, for the next settlement. If you buy shares, you pay for them at the next settlement, and if you sell them, you do not expect to receive payment for them until then. Some few years ago there used to be three days devoted to the settlement, but the speculation in mining shares increased so enormously that the committee were compelled to add an extra day, so that the settlement now extends over four days. The first day of the settlement is called contango or continuation day, the second, or, rather, the third, day is ticket day,

and the last pay day. I will take these days seriatim.

On contango day the broker has to ascertain from us whether we wish to take up the shares we have bought or carry them over to the next settlement, and if we signify that we will take them up, then, of course, the purchase will be duly completed. But if we do not wish to take up the shares, but to carry them over, then we have to pay something for the privilege, as, of course, it is only right that we should do, and this is called the contango rate. Therefore, we carry over the shares at what are called the making-up prices, which are fixed at the hour of noon on that day by an official of the Stock Exchange, and we accordingly receive the differences due to us or pay over the differences due from us.

For instance, we have been speculating in Modderfonteins, which we bought at $11\frac{13}{16}$. But the making-up price is £12, so the broker hands us over the difference between the two prices, which is our profit. But suppose the making-up price was only $11\frac{1}{2}$, then we shall have to pay a considerable difference, which will mean a big loss. We may not have the money wherewith to take up the whole of the shares, and may be merely speculating for the rise, and in that case we have no other choice than to pay the contango rate and carry them over, in the hope that during the next account the shares may rise considerably in value, and thus give us a big difference to receive, which will more than recoup us for our

loss. This is what is meant by speculating for the rise—a phrase that is so familiar to us in the money article in our papers.

A broker, however, is not bound to carry over the shares unless he choose, but, as a matter of fact, he always does, this being one of the unwritten but most rigid laws of speculation. The contango rate on Modders we find to be, say, 8 to 10 per cent. per annum, which means we shall have to pay 10 per cent. for the privilege of carrying over, out of which the seller of the shares, whom we have not paid, should receive 8 per cent., the difference between the two prices going to the jobber. These contango rates depend upon many influences, upon the dearness or cheapness of money, for one, and also upon the commitments open for the rise. If money is cheap, the rate will be light, and if dear the rate will be heavy. If the commitments for the rise are heavy, then, of course, the rate will be higher than if those commitments were limited, for there will be less accommodation needed, and therefore a less demand for money. Moreover, the nature of the share itself likewise affects the contango rate, the latter being proportioned to its riskiness or insecurity.

If we do not pay for these shares ourselves, then somebody else does, and this is generally the broker or the jobber. And to do this they have to borrow from the banks, lodging with the latter the shares as collateral security, for which they have to give in addition a margin of not less than 10 per cent. The jobber or the broker has to pro-

vide for all this out of his contango rate, which is paid by the bull, and thus we see how the rate is determined by a variety of influences, chiefly by the interest ruling for money, and the volume of speculation open for the rise.

There is also a backwardation rate, as well as a contango rate, the former being the fee paid by the bears, or speculators for the fall, as distinguished from the latter, which is paid by bulls, or speculators for the rise. Suppose now, instead of buying Modderfonteins at $11\frac{13}{16}$, we sold the shares at $11\frac{11}{16}$. But we do not possess those shares, and if we were called upon to deliver, we should have to buy them at the lowest price we could.

We hope, however, that the price will fall, for if it does we shall be able to buy at a lower price than that at which we sold them, and so make our profit. If, therefore, the price drops to $11\frac{9}{16}$, we shall receive from our broker $\frac{1}{8}$ on every share we sold, but if the making-up price is $11\frac{13}{16}$, then we shall have to pay $\frac{1}{8}$ to the broker, which, if we have not the shares to deliver over to him, will represent our loss on the speculation. We accordingly postpone delivery of the shares until the next settlement, in the hope that they will fall during the succeeding account, and for this privilege we have to pay a backwardation rate. Say the rate is 5 to 7 per cent., this means that the buyer of the shares receives 5 per cent. and the jobber the rest. As a rule, of course, the bulls vastly outnumber the bears, so it is but rarely that we hear of a backwardation rate being charged. Some-

times they happen to balance each other, and when this is so we hear that a certain share has been carried over 'even,' meaning, of course, that no interest has had to be paid in the way of rates. This, then, is what is done on contango day, and I hope my explanation has been lucid enough for every reader to understand.

The second day of the settlement is ticket day, and is so called because on that day the broker prepares a ticket, giving the buyer's name and address upon it, which is handed over to the selling jobber. These tickets pass from hand to hand until the actual buyers or sellers are found, so that the transfer deed may be completed.

The last day of the account is called pay day, and, as it indicates, it means that the actual payment is made on this day, when securities are delivered to the buyer. In this connection 'buying in' and 'selling out' come in and need some explanation. The process known as 'buying in' is the means by which a buyer of stock enforces delivery on the part of the seller in carrying out his contract, and this is a risk, of course, which bears have to face. Ten days' grace is usually allowed, and if the shares are not delivered during that time, the broker then requisitions the official broker of the Stock Exchange to buy the stock. He accordingly bids for it, and all differences and expenses have to be met by the seller. If, on the other hand, the bull does not complete his purchase, the official broker sells his stock to the highest bidder, and the differences and expenses

are paid by the bull. This is known, therefore, as the process of selling out.

Now, a great deal of speculation on the Stock Exchange is done by means of options, and now and then we hear of the market being affected by means of maturing options. The general public do not understand the meaning of this, or, at any rate, the average man has but a faint conception of it; and as this option dealing is a phase of speculation which he should set himself out to understand, for the knowledge will be of the greatest assistance to him, I will endeavour to explain the rudiments of it as clearly and as briefly as I can. I can but deal with the subject superficially in the present work, for if I treated it exhaustively and profoundly, and tried to elucidate all its intricacies and complexities, a separate book would be needed. Nor is a profound study of it absolutely essential for ordinary speculative purposes. Of course, the more deeply we study this subject, as the more deeply we study any subject under the sun, so do we reap corresponding benefits, and to that extent have we greater advantages over the more ignorant of our competitors in life's unwearying contest. Therefore, for the present, we will glance at it but superficially, and should it give the reader an inclination to study it more deeply, he must seek other works where the subject is more elaborately treated.

We all of us know what the meaning of the word 'option' is, but in connection with Stock Exchange speculation it means the right to buy

or sell a certain amount of stocks or shares at a certain date at a specified price agreed upon when the bargain is struck, for which privilege, of course, a certain consideration is given. Thus, they are dealt in for the purpose of limiting a possible loss to the actual amount paid as option money, which is so much per share when dealing in shares, and so much per cent. when operating in stocks. There are single options and double options, the single option being either the 'put' or the 'call,' and the double option the 'put and call' together, the 'put of more,' or 'the call of more.' The word 'call' means the purchase of a right to buy on a given day a certain stock or share at a price fixed upon, and the 'put' the right to sell, whilst the 'put and call' together means that we purchase the right either to buy or sell this stock or these shares as we may desire. The 'call of more' means the right of calling a further like amount of stock or shares at the same price at which we have exercised the 'call,' and the 'put of more' the right of putting a further like amount at the same price. These are brief explanations of the above phrases, which I shall attempt further to elucidate.

Now, suppose we want to buy a 'call' of East Rands, say at the end of September. There is every likelihood, we think, that by that time there will be a considerable rise in the price of the shares, especially as there is every hope, based on the Banishment Proclamation of Lord Kitchener which comes into effect on September 15—that the war will come to an end in a few weeks. Neverthe-

less, there is a doubt about it. In spite of the straits to which the Boers have been reduced, the guerilla warfare may drag on for another six months, and in that event the price may stand still. We feel fairly certain, however, that the war will be over, and that the price of East Rands will go up, and therefore we buy the call of the share at, say, $7\frac{1}{2}$ at the end of September. If the price goes up, we shall exercise our option, and if it more than covers the price we paid for the option we, of course, make a profit. We may buy the shares at the price bargained for, and sell them in the open market at the higher price, the difference between the two prices, minus the fee we have paid for our option, being our profit.

If, however, we think that the price of East Rands is likely to fall, we then buy the right to 'put' them, say at $7\frac{1}{2}$. If the price declines to 7 or below that figure, we shall buy them in the market at the lower figure, and sell them to the dealer at the price bargained for, the difference, minus the cost of the option, being our profit.

If, on the other hand, we think that the price will not be maintained, but may either go up or down, we buy the 'put and call,' for which we have to pay double the price of the single option, so that if East Rands go above $7\frac{1}{8}$ we exercise the call, and if they go below we exercise the put. But those who understand option-dealing thoroughly do not wait, of course, until the expiry of the date before they speculate in their options. On the contrary, they buy and sell during the whole

of the period, according as market movements are favourable for them. Option-dealing is thus a favourite mode of speculating with those professional operators who understand it, and those who do not understand it—its intricacies needing not a little laborious study—labour under a disadvantage, and run more risks than those who are thoroughly familiar with its complexities. To make it thoroughly comprehensible to the uninitiated, I should have to illustrate all its varied workings by numerous examples, which the scope of this book will not allow me to do. If, however, I have succeeded in conveying a clearer idea of it than most readers had, and have induced them to study it a little more fully, I shall have attained my present object.

I may add, before dismissing the subject, that the committee of the London Stock Exchange recognise the legality of optional dealings in stocks and shares provided that the option period does not exceed two accounts beyond that for which bargains are being currently made; but they will not legislate upon any dispute arising from an option transaction done for a longer period, nor can a claim be made against a defaulter's estate in respect of any such unrecognised bargain. Nevertheless, in practice, options for two or three months, and sometimes even for longer than that, may be negotiated on the Stock Exchange. It may be thought by the uninitiated that the 'cover' system of bucket-shop-keepers, by means of which they try to attract clients, is nothing more or less than

the option-dealing I have explained above. It is not so, however, and is a different method of dealing altogether, in which the operator is less protected against fraud and dishonesty on the part of these outside brokers. If we can find a scrupulously honest outside broker, however, who will act fairly and squarely with his client, the risks are greatly lessened, of course, and they may be no greater than in dealing with an inside broker. In their optional dealings on the Stock Exchange the public are greatly protected, but these protective measures are absent in their dealings with some bucket-shop-keepers and their numerous votaries and followers. The latter class will tell you how to make your fortune in a very short period of time by some system of theirs, which they describe as infallible. But the strange and unaccountable thing is that whilst they are ever ready, for a miserably small fee, to enrich others 'beyond the dreams of avarice,' they will not, or they cannot, make their own fortunes by using their own methods. I cannot look upon these men as noble philanthropists, for philanthropy expresses itself in quite other methods than theirs. Those, therefore, who put trust in their pretensions must be exceptionally simple and guileless. But the simple and guileless, like the poor, are always with us. To the poor, however, we can give of our superfluity. We can feed and clothe them according to our means, but it is a far more difficult task to give common-sense where it is lacking. I know of no process that has, as yet, been eminently

successful in strengthening feeble minds with this mental nutriment.

Now, in the lists of prices given in our newspapers we often see the letters x. d., x. r., ex. new, cum. div., cum. rts., etc., and these letters are a great source of perplexity to the novitiate in speculation and investment. Briefly, therefore, it may be explained that x. d. means exclusive of dividend; x. r., exclusive of rights; ex. new, exclusive of new shares; cum. div., inclusive of dividend; and cum. rts., inclusive of rights, etc. That is to say, if we buy shares that are quoted x. d. we are not entitled to receive the dividend that has recently been declared upon them, but if the shares are quoted cum. div., then it means that we are entitled to the dividend. We may take it, however, that when a share is not quoted x. d. we really buy them cum. div.; that is to say, we buy them with all the privileges attached to them. The moment, however, that any share is officially declared on the Stock Exchange x. d., even though we may buy them a few minutes afterwards, we buy them without the dividend; but as the amount of the dividend is deducted from the price, we really get the equivalent of it by paying a lower price for the share. For instance, suppose a certain share is quoted $3\frac{3}{4}$ on the eve of the declaration of a dividend, then, if we buy those shares we are entitled to the dividend; and supposing the dividend is at the rate of 5s. per share, or 25 per cent., then the dividend is immediately deducted from the price, and the shares are quoted $3\frac{1}{2}$ x. d.

In that case, therefore, the seller gets his dividend, but gets a lower price for his share if he sells immediately afterwards, whilst the buyer, as I have said, gets the equivalent of the dividend in another way. As time goes on, however, the price improves again, and once more reaches $3\frac{3}{4}$, or even a higher figure, according to the prospects of the company or the demand for the shares. If only another 25 per cent. is likely to be paid at the end of the twelve months, it may go no higher, but if a 50 per cent. is expected, then, of course, the price will correspondingly advance.

Sometimes a company is issuing priority shares, or offering the shareholders certain privileges, which may ultimately be of value to them. Such a privilege may be the issue to them of those shares *pro rata* before offering them to the public. Or the company may be increasing its capital by a further issue of shares, giving the shareholders the chance of taking them up at a price much below the market price ruling at the time, so that they may immediately sell them at a profit if they choose. Thus they carry for a time this valuable right or privilege to which a buyer is entitled if he buys before they are quoted ex. new. But from the moment they are thus quoted he is not entitled to them, and the seller of the shares retains them.

When it is announced by a company that its transfer books will be closed at such and such a date, it means that this is done in order to prepare for the declaration of a dividend. For instance, a company announces that its transfer books will

be closed from July 15 until a later date in the month, so that after that day and during that period it will not transfer any shares in its books. Therefore, if you sell the shares until the books are re-opened you will still be looked upon as the holder of those shares, and the dividend warrants will be sent to you.

When an accrued dividend is spoken of, it means that the price of the shares virtually carries with it a part of the dividend that will subsequently be paid, and this brings about an improvement in its price. If a 25 per cent. dividend has been declared, and at the end of twelve months another 25 per cent. is likely to be paid, then at the end of six months the price of the shares will have improved $12\frac{1}{2}$ per cent., or $\frac{1}{8}$, whilst it would go up another $\frac{1}{16}$ at the end of a further three months. But mining shares are but slightly affected by any such influences, and therefore we hear of it but rarely in connection with them. Still, it is as well to explain the meaning of the phrase, as it may give rise to unnecessary perplexity.

The word 'amortization' is also frequently a stumbling-block to many, and it may be explained before I bring this chapter to a close. It applies only to redeemable stocks, and, as such stocks are frequently issued by mining companies in the shape of debentures, speculators and investors should understand the significance of the word. When debentures are issued they are generally made redeemable at a certain date, and during the period they are running they are gradually being paid off

out of a sinking fund. This amortization usually takes place annually, when drawings are made, and interest at once ceases on such debentures as have been drawn, this interest going to swell the fund for eventually redeeming the entire debt. In some cases this sinking fund is allowed to accumulate at interest until it shall equal the amount of the whole debt at the date the redemption is due, but more frequently the fund is used to purchase the stock in the open market. Others are redeemed by periodical drawings, for which so much money is specially allocated every year, and as this is done practically by lot, and no one knows which bonds may be redeemed, we may suddenly find ourselves paid off and the interest cease. In the case of mining companies debentures are frequently issued with the right to convert them into shares, and in the generality of cases this right is exercised.

CHAPTER XI

HOW MARKETS ARE INFLUENCED

'How are markets influenced?' is a question it is not easy to answer, as the financial journalist and the professional dealer will acknowledge. The market is influenced by a complexity of causes and circumstances, which causes and circumstances repeat themselves from time to time under various aspects and in different guises; and though an observer may predict the effects of them, in accordance with the teachings of experience, still, his predictions may frequently be falsified, for the law of cause and effect on the Stock Exchange is not so fixed and rigid as in other of Nature's phenomena. For one thing, temperament undoubtedly exercises a most potent influence, and what is there that is less dependable than the temperament of man? Moreover, to make the problem still more complex and difficult of analysis and solution, it is not dependent upon the temperaments of a nation, but often upon the temperaments of many nations; for though we may be able to foresee how we ourselves are likely to act under

given conditions and circumstances, those conditions and circumstances may be affected and modified to a very considerable degree by the actions of our neighbours, the French, or by an unexpected movement on the part of our cousins on the other side of the Atlantic. It is impossible, therefore, for any man, however experienced he might be, to draw up a code of laws to which speculation, in its manifold phases, will invariably conform, for, as I have said, the complex temperaments of man will ride rough-shod over them, and make them utterly impotent in their workings.

Let us for a moment, therefore, attempt an analysis of what I mean by temperament. There are times in our individual lives when we feel exceptionally hopeful and optimistic, when our circumstances look particularly rosy and cheerful, and when the future looms bright with promise. We are in a buoyant and light-hearted mood, there is no anxiety weighing upon us, and none seems likely to. We are lavish and prodigal, and we do not allow undue caution to restrain our exuberance and repress the flow of our animal spirits. We have plenty of money; there is more to be got whence it came, and it is not our intention to let it lie idle merely to be gazed at. We will do a little speculating with it. There is no reason why we shouldn't. Everybody else is speculating and making a fortune, and why should we be out of it? This may be the mood of the individual and of the nation, too, for moods of this kind are undoubtedly contagious. Trade is brisk and

flourishing ; everybody is making money, and this strengthens the desire to make more, and especially to make it while the good time lasts. There is no easier and more effective way of increasing it than by speculating on the Stock Exchange. What shall we speculate in ? Everybody appears to be speculating in mining shares, so we will speculate in mining shares. But we know nothing about mining—don't know a good share from a bad one. Never mind ; all are good enough to speculate in. We will write to the editor of the *Financial Daily,* and ask him what shares to buy. If anybody ought to know he did. So in this way the speculation grows. The public are like sheep: they follow the leader, without troubling to exercise their reason or common-sense. There is a boom in mining shares, and the latter are sent up to inflated prices, without the least regard being paid to their intrinsic merits.

French speculators, anxious not to be left out of it, also buy, and prices go up and up. Promoters, dealers, brokers, and even financial editors and proprietors, are happy. These are the good times they are always delighted to witness. But suddenly the French speculators get nervous. Perhaps it is due to some social disorder or some scandal that is likely to lead to unpleasant consequences. Or it may be brought forcibly home to them that they are buying shares at inflated prices, that the perfidious English are loading them up with all kinds of rubbish, and they get frightened. They are advised to sell and make their profits

whilst they can. And so they take the advice. Shares of all kinds are then thrown upon the market, and the sudden deluge simply destroys the frail edifice, causing quite a panic amongst those who are overwhelmed by the débris. Prices come tumbling down. Everybody is scared and anxious to save himself. No one cares for his neighbour, but each one in his mad fear tramples upon the other. All are panic-stricken. Thousands are crushed, and thousands more are ruined. The building of inflation has vanished magically and tragically from the gaze of man, and left with us, as the evidence of its existence, only the saddest and bitterest of memories. And all the result of an unforeseen and uncalculated emotion, the outbreak of a fear for which no provision was made. A calm and keen observer might have foreseen it; but speculators, especially at such times, are not calm observers. And so they pay the penalty of their weak vision, their restricted outlook.

This, then, is the effect of one cause, which cause in itself is generated in the temperament of a volatile and emotional nation. Nevertheless, it does not follow that when the cause repeats itself at a future time it will be followed by a like effect. French speculators, moved by fear or by a desire to save themselves from a threatening danger, may again throw their holdings on the market, but instead of breaking that market and precipitating a collapse, it may actually strengthen it. English speculators may be only too ready to absorb all the shares. For the moment, of course, it would

undoubtedly bring about a reaction in prices. But that was only to be expected. Prices will go up again, as sure as fate, so that we have only to hold on until the taking of these shares off the market strengthens it. It is just like those emotional, impulsive French, we argue. It was to be expected of them. They will be sorry for their foolishness presently, when they see we are only too ready to take all they offer. Presently they'll be eager to buy again, but they'll have to buy at higher prices, and so if we hold on we shall be able to sell their shares back to them at greatly enhanced values. The French do, indeed, repent of their impetuosity. They see their shares absorbed by the English speculators, and evidently, therefore, the boom must be built upon more solid foundations than they had imagined. Their cupidity compels them to buy back, in the hope, of course, that they will be able to sell again at higher prices still. So we give them all they want. This demand naturally of itself enhances prices, and therefore they see the shares go up and up, making them the more eager to buy, and ourselves to sell. But the buying ceases at last. Their cupidity is satisfied. So many shares taken off the market has temporarily strengthened it, and therefore they watch it, ready to sell whenever they see the first signs of weakening.

The time of profit-taking comes, and prices react. This is misunderstood by the French, and they become alarmed. They swamp the market once more with their holdings, and this time it brings

about the collapse. Or it may still do nothing of the kind, for we may still be light-hearted and hopeful. Or, as I have said, we may also be alarmed, and, once that alarm seizes us, it spreads rapidly, and there is no power that can stay its devastating course. There is a wide-spread panic. The boom collapses, and leaves behind it its heritage of loss and ruin. So we can see how difficult it is to diagnose the situation. We, of course, know that the collapse will come some day or other. A boom is of its nature temporary; but it may last a month, or a year, or two years. We cannot calculate with certainty. We know that the speculation will put definite causes at work, but we cannot always foresee the effects of them, and especially not forecast the precise moment when they will come into being.

Another cause may be an unexpected movement in the United States. Co-temporary with the boom in mining shares there may be a boom in American rails in Wall Street. People may speculate on the strength of prospective good crops, or on a marked revival in trade, or on the general prosperity of the country. Money may be cheap and plentiful, with the prospect of gold having to be shipped from Europe to pay for its corn and wheat. But that boom may be short-lived; the optimism may not be justified; all the hopeful anticipations may be upset by unforeseen events. A sudden change in the weather might do it, or a fight between rival railway factions. And such a collapse would affect the market in London. American rails would fall,

and that would enforce realizations in other markets to meet differences, and most likely of all in the mining market. Those realizations would probably precipitate a slump here, and the slump might generate a panic, and a panic would mean the collapse of the boom. Therefore the foundation of a boom has infinite ramifications, and the weakness of one may readily bring about the collapse of the whole. We may carefully examine those ramifications from time to time, but the weakness may be undetected, or it may suddenly develop itself, and thus make any such examination futile.

We often read in our newspaper articles of one market reacting upon another, or one market sympathizing with another, and this is one phase of it. This sympathy, as it is called, is therefore another strong market influence, and should be duly calculated on. This undoubtedly has likewise its source in temperament. For instance, there may be a revival of activity in the South African market, and the most is made of it. It may be started by the professionals, with the object of attracting the public, and that object, say, is attained. The public conclude from this that their opportunity has come at last. They have been merely waiting for someone to take the initiative, and, once the movement is started, they hasten to take their part in it, and to be in the swim at the earliest moment, or they may lose many golden opportunities. At first the activity is confined, say, to outcrops, and prices correspondingly appreciate. But as the activity grows and

the movement extends, it is found to be confined within too narrow an area in outcrops. The opportunities here, owing to the inflation of the shares, become restricted, and hence further scope for speculation is sought elsewhere. It overflows, therefore, into the deep level section. Then, when eventually the scope here has become too restricted, Rhodesian shares are selected as mediums of speculation. Thus, Rhodesians are said to sympathize with or to share in the activity which has developed in the Kaffir market. Later on it may overflow into the West Australian or the miscellaneous sections, for the public are fully infected with the fever of speculation. They couldn't resist it if they tried. Everybody sees that everybody else is making money, and thinks he can make money, too. Thousands are attracted who have never speculated in mining shares before. They become discontented with the small yields they have been receiving on their investments, and envious of those who are speculating with such success. The numbers thus gradually swell. There is no such thing as discrimination, because discrimination must come from knowledge and experience. Mining shares are the things to buy, and therefore anything in the shape of a mining share is acceptable. West Australian shares are said to be a good tip, and therefore they speculate in West Australian shares. Thus the speculation spreads, and this spreading is called sympathy by financial journalists, although the only sympathy shown is the eagerness to buy shares at certain prices and resell them to others at

higher prices. When there is activity in Kaffirs speculators do not pity Rhodesians for being left out in the cold, and sympathetically come to their assistance. Nor do they say: 'Poor Westralians! how forlorn and wretched they look! Why should all this fuss be made over Kaffirs, and West Australians be neglected? Let us give them a chance, poor things! for they deserve it quite as much as the others.' No sentiment, no sympathy of this kind animates speculators, and, therefore, if the inexperienced read a meaning of this kind into the word 'sympathy,' it would be a fallacious interpretation. It means only an overflow of activity, a search after further opportunities of speculation, without regard to intrinsic values or merits of shares.

International politics are a further influence, and have a most potent sway over the entire Stock Exchange. One given influence may affect one market only, but politics affect all markets alike, and therefore the successful speculator, and even the investor, should make a study of international politics. In times of peace, when all nations are apparently in accord with each other, and the relations between them are friendly, then the Stock Exchange pursues its normal course, uninfluenced by the political outlook, except it be favourably. But let there break out a sudden quarrel, or possibility of a quarrel, such as we have experienced from time to time in the Far East, then the Stock Exchange becomes nervous and excited, which, of course, is only a reflection of the nervousness and excitement that has seized the nation as a whole.

As all our resources are locked up in stocks and shares, we are anxious to realize them into solid cash, so that we may thus be able the better to meet any crisis, such as would follow on the outbreak of a war. As the majority of people are seized with the same fear, the same anxiety, and the same desire to save themselves before they are overtaken by the calamity, so all are anxious to sell their securities for cash, and, as buyers are not plentiful, prices fall. Rather than have no money at all, and their nervousness and their fears increasing, they will be glad to sell at a loss, if only they can get some of their money. So they sell at a loss, and the stocks and shares are accordingly taken up by those reflective speculators who make a study of the situation and gauge its possibilities. They may see that the quarrel is not serious enough to lead to any such calamity as war. They know that the statesmen and the nations themselves are averse to war, and that no effort will be spared to adjust the quarrel, or the misunderstanding, in an amicable spirit. They know, too, that the unreflecting will surely sell, and that prices, therefore, will inevitably fall. Thus, this is their great opportunity, and they do not hesitate to seize it. Many of these opportunities have presented themselves during recent years, and the reflecting, therefore, have greatly profited from them. And as many such opportunities will recur from time to time, they would be wise who would learn this lesson from experience.

This is an influence, therefore, that may be

studied with profit. It is not so subtle and so deep as the study of individual and collective temperaments, for in affairs of this kind the counsel of reason, and even of wisdom, has a determining voice. Statesmen are not, as a rule, carried away by passion, by impetuous emotion, and though they may have a fear, that fear will be a safeguard, for it will inculcate cautiousness and be a corrective to any unreflecting action. Thus, the effects of that fear are diametrically opposed to the effects of it in individuals, because the latter do not allow it to be governed by reason and prudence. In the counsels of statesmen, however, reason and prudence are listened to, and speculators must therefore gauge from their past knowledge and experience of these statesmen to what degree they are likely to have their actions directed by reason. In proportion, therefore, to our insight into these matters will our success in speculation be, and as, after all, it is not a complex and intricate problem, necessitating laborious study and research, it is open to every man to profit from a study of it.

The value of money ruling in the open market is a further influence upon speculation, for if money is cheap, and is likely to continue cheap for an indefinite period, people will be more inclined to speculate than if it were dear. Cheap money is often evidence of dulness in trade, and when trade is dull and the opportunities for profitable employment of capital are thus limited, the temptation to employ that capital in other directions is more

tempting, for no one likes to see capital lie idle for a protracted time. And yet this is an influence that is far from invariable in its effects, for it may be rendered impotent by other influences that negative its power. At the moment of writing money is cheap, both here and on the Continent, though it is scarcer and dearer in New York. And, what is more, it is likely to continue cheap, and though it might be dear in the autumn, owing to our indebtedness to America, it is not a prospect of absolute certainty. Therefore, as far as the cheapness of money is concerned, and its prospective plentifulness, both here and on the Continent —in France especially—there is every inducement to speculate. And yet the Stock Exchange has not been so dull and inactive for many years, whilst the mining market is in a state of stagnation. Why, therefore, does not this cheap money and this slackness of trade have one of its usual influences on the Stock Exchange?

The first and foremost reason is, of course, the continuation of the war in South Africa, and the uncertainty of its date of termination. We are told that the public will not speculate until the war is over, and we have been told this so often by writers in the press that the public have taken it as nothing more or less than a piece of advice, viz., that they *must* not speculate till the war is over. Anyone would think—that is to say, the ignorant man in the street—that there had been a massed meeting of the public somewhere, and that they had unanimously passed a resolution to the

effect that: 'This assembly of public speculators and investors hereby resolves that it will not, individually nor collectively, speculate or invest in mining shares until the conclusion of the present Boer War, and that this assembly further resolves, in the name of the vast community of speculators and investors in this country, to adopt a waiting attitude until that happy time arrives.' There has been no such mass meeting, nor do I believe that there is any conspiracy or collusion or secret compact on the part of the public to carry such an intention into force. No; the public reads that the public do not intend to do so and so, and as the public waits upon the action of the public, and as the public learns the intention of the public from the imaginations of financial writers, it follows that it is these imaginations that largely counteract the influences of cheap money, or any other influences. Professional dealers commence to buy, in order to start the activity, and this the public learn the next morning. But they learn at the same time that they—that is, the public—are taking no hand in it, and as they all conclude that the other fellows are the public, and that they must wait for action on the part of the others, it follows that they are all waiting upon each other, which is truly a comical situation indeed. If one morning the financial papers all combined to say: 'There was a revival in the Kaffir market yesterday, there being a considerable amount of buying on the part of professionals, who thought the time had come when South African shares should be bought,' etc.,

and no reference was made to the public, the public would read it, and very likely come to the conclusion that it should buy the shares, too. The public would say to itself, 'I wonder what the public will do,' and perhaps would answer the question by saying, 'It strikes me the public will begin to buy, too, if this is the right time to buy, as the paper seems to think. If it didn't think so it would say so.' So, as great numbers argue in this manner, and act in accordance with the favourable interpretation they put upon the announcement, the public buy the next day. This is duly recorded, and so the public, seeing the public buying, come forward and buy too, and thus the movement spreads.

That the public are unreasoning and foolish is indisputable. They have no individual initiative. They all wait patiently for someone to take the lead, and they all with one accord follow, whether they are led to their destruction or not. It all comes of the public's ignorance, their disinclination to think and reflect. If the public had any sense, for instance, they would see that now, the end of August, is the time to buy South African shares, and not to wait until everyone buys, and thus send up the prices of shares. If the public had the least ability to think and reflect, they would see that the war could not last for ever, that the mines are as safe as though they were in England, and that the gold will ultimately be extracted from them. If the public had any ability to reflect, they would know that South African shares will not remain

at their present prices, but that they are bound eventually to appreciate, and in many cases considerably. It would foresee that immediately the war was over everybody would rush to buy, which of itself would enhance prices. But the public will not reflect. They will not see that this is the time to buy and to hold, either for investment or speculation. And, therefore, they are content to watch and wait, letting the golden opportunities slip by, until the boom is started, and then, as usual, they will be eager to buy at inflated prices, buy the valuable as well as the rubbish, and some people will be ruined. But all hope that it will not be they, but only the other people, to whom they will sell at a profit.

In this chapter I have considered some influences that have a more or less potent sway over the market. There are many others to be noted, which are equally as powerful, and with some of these I will deal in the following chapters.

CHAPTER XII

BULLS AND BEARS

The mining market, just as other markets are, is affected by those influences which are known as bull and bear movements and tactics. But the average man does not know what these tactics and movements are, and though he hears very frequently of bears and bulls, he hasn't a very clear conception of what they are or what their special purposes in life's economy may be. He has, however, come gradually to detest the bear and to have an affection for the bull, for the bear seems to be his and other men's natural enemy, whilst the bull is a friend to them in disguise. The bear to him is the individual on the Stock Exchange who is for everlasting knocking prices down, and the bull is the man who is trying his utmost to put them up, and that therefore there is always a feud between the bulls and the bears, which will not be ended this side eternity. The bear to him is a curse to the Stock Exchange, and he should be horsewhipped. His sympathies in the contest are always with the bull, because he is himself a bull, or a speculator

for the rise. He cannot understand putting prices down, and therefore it is an unfathomable mystery to him that there should be such lunatics in the world whose object it is to do this—people who will not make profits themselves, and who are determined to prevent others from making them. Such dog-in-the-manger selfishness is detestable, and therefore bears should be expelled from the Stock Exchange with ignominy. This, I say, is the average man's conception of a bull and a bear, the bull being the man who sends prices up—just the very thing he wants—and the bear the man who brings them down—the very thing he doesn't want.

This conception, many will be surprised to learn, is an erroneous one, or, at any rate, it contains only a part of the truth. As speculating for the rise is the only thing that is understood by the average man, a fall in the price of a share gives him cold shivers and disturbs his peace of mind until the price goes up again. He cannot understand that this very fall may be a positive advantage to him. No, he reads into it some other meaning, and that an unfavourable meaning, and hence, instead of seizing it as an opportunity from which he might profit, he is scared, and impulsively loses all that he may have gained. Therefore, to be a successful speculator, we should know thoroughly what bulling and bearing mean, we should know how to bull and bear ourselves, or how to take advantage of the bull and bear tactics of other people, and it is precisely because thousands do not

understand them that they so frequently come to grief.

We read, for instance, in this morning's paper that there has been a bear raid in Belle Vues, and therefore that the price has reacted to the extent of $\frac{1}{2}$. Now, Belle Vues are just the very shares we have been buying, for we hear that they are the best thing in the West Australian market, and are certain for a rise. They have actually risen $\frac{1}{8}$ since we bought them, but we want a bigger profit than that before we sell out, especially as we hear they are sure to go up before long. But, lo and behold! instead of going up $\frac{1}{2}$, they go down that fraction, and all through those d—— bears. Curse the bears! They've spoilt the whole show. Very likely to-day they'll send them down another $\frac{1}{2}$, so we had better sell out while we have the chance. So we foolishly sell out, not staying to reflect that this bear raid, as it is called, is entirely in our favour. Why did those bears send the price down? Solely because they thought Belle Vues a good thing. Their sole object was to depress the price of the share in order that they might buy them at a lower price, so assured did they feel that the price would rise again and enable them to sell out at a good profit. No, we seemed to think that it was an act of pure vengeance on their part, of petty spite against the bulls, for we seem to think that they are endowed with some exceptional power to depress prices, and that they exercise this power now and then out of pure devilry, and not to profit by it themselves, except to have the pleasurable one

of knowing that they have stolen a march on the bulls.

So if we had known what their precise object was, instead of being scared we should have held to our shares more tightly, and *even bought more*, in the knowledge that the bears would shortly buy back, and that this buying would send up the price of the share again. Or if they had depressed the price by selling shares they didn't possess, in order to buy them at a lower figure, and those shares were quickly bought by wideawake speculators, the price would go up instead of down, and the bears would be frightened. Then we should see them rush to cover, as it is called ; that is to say, seeing the price go against them, they would buy at the lowest price they could give, thus putting into force a demand which would help further to strengthen the share. If we had calculated all this we should have profited considerably, whereas we played into their hands by selling. It is the object of the bears to frighten holders into parting with their shares, and if we will just bear this in mind in future we shall not be so easily scared as we have been in the past, but will quietly take advantage of a bear movement of this kind to our profit.

But bears, as a rule, do not sell without assigning some reason for it, and in the market report we learn that those reasons take the shape of all kinds of rumours. Therefore, to be a successful bear we must have a good imagination, and be endowed with the inventive faculty, whilst it would certainly

not do to have a too scrupulous regard for truth. Thus, in a way, 'bearing' has become an art, for though most of us can invent rumours and cultivate the gift of lying, we must learn from experience what kind of rumours to invent to suit special occasions, or what kind of lies to tell that will look so much like truth as to deceive the ordinary man. Thus, the bear wishes to depress the price of Belle Vues. What rumour, therefore, shall he put into circulation, or what lie shall he tell to enable him to achieve his object? Why, what better statement could assist him than this: that the mine is becoming impoverished, that the lode is pinching out, and that therefore there will be a considerable falling off in the monthly returns? Something of the kind has happened in the case of other West Australian mines. It is known that the gold-field is somewhat patchy, and therefore such a statement is likely to gain more credence than any other. Thus the rumour is started, and once it is started it quickly spreads on the Stock Exchange. No one knows who the originator is, and no one thinks of finding out. It is sufficient to know that Belle Vues are the things to sell, and accordingly they are sold. It is, of course, duly recorded in the market articles the following morning, and perhaps leading articles are devoted to it, and so the scare spreads. Everybody, except an astute speculator here and there, plays into the hands of the bears. Explanations are demanded of the officials of the company, and the next day the officials of the company publish a statement to the effect that it has not come to their

knowledge that the lode is pinching out, etc., and that, in their opinions, the monthly returns will be maintained. This helps to set fears at rest, but still many continue to believe that 'there is something in it,' and this belief eventually compels them to sell. It will thus be seen that it is, after all, a very stale device, but it is a device that continues to succeed, simply because speculation is so much a game of chance, and the novices in the game are so easily 'cheated.' Moreover, the dishonesty of company officials greatly helps the bears to play their game successfully. We know that it is the practice of directors to conceal important information from the shareholders until they themselves have profited from it, and therefore we cannot seek refuge in the belief that if the lode is pinching out the directors would have said so, in accordance with the duty they owe the shareholders.

As a rule, however, it is unwise to act on rumours that are spread in this way. It is better to try and view the situation calmly, and to try and reason it out, than to act impulsively, on a momentary fear. It some cases the rumour may be true, but, as in the vast majority of cases it is not, it would be wiser to act in accordance with the greater experience in this as well as in other affairs of life. If we sold on the occasion of every such rumour we should always lose, whereas if we invariably refrained from doing so we should find that we should gain greatly in the majority of cases, which would vastly overbalance any loss we suffered now and then. Moreover, as a rule,

when there is any truth in the rumour, it is not likely to spread about in this fashion. If there is any truth in it, the first people to know are likely to be the directors, and in ninety-nine cases out of a hundred they will keep it secret in order to excite no suspicion. They will at the same time, in order to have an excuse for keeping the matter a secret, keep telegraphing to their manager for explanations, etc., and then, when they have made themselves safe, they will startle the shareholders and bears and bulls alike by suddenly publishing the news. If anyone had *private* information of the kind, they would be sure first of all to trade upon it, for it would be a valuable *secret* to them. They would be fools to let the whole world know—for bears never act on philanthropic principles—and thus give it an opportunity to share in this valuable secret. We should not do it ourselves, and, as speculation depends upon taking advantage of other people, it would seem somewhat contradictory to *give* them an advantage in order to take it from them.

So that we see we must apply common-sense to all these matters; but if everybody applied common-sense to them there would be an end of speculation. Bears would invent and lie in vain if people tested their inventions and lies by common-sense. In fact, bears are so sure that this common-sense will not be applied that they may start a rumour in the midst of profound peace that France had sent an ultimatum to England, and thousands would believe it. Who these bears are no one knows, but we

imagine them to be some people who are in the councils of the statesmen and Cabinets of Europe. If we would just stop a moment to reflect and reason that responsible Ministers do not impart secrets to mysterious and irresponsible personages, we would see the absurdity of it. But we are so scared that we do not stop to reflect, but rush to sell our Consols and other securities, only to learn a few hours afterwards that 'there is no truth in the rumour.'

Now, the object of a bull is to raise the price of shares in order to sell them afterwards at a profit. He selects a certain share or shares which he thinks will be the most suitable for his purpose, and he accordingly purchases big lines of them, without any intention, of course, of taking them up. This demand for the shares generally causes them to appreciate in price, and when we see the prices go up we rejoice. But, as I have said, he has not bought them to look at. They are not taken off the market and put by, and, therefore, some day they will be sold, and this selling will depress prices. Thus, after all, the bull may not be such a friend to us as we think. He may serve our turn for a time, but if we don't know the moment when to take advantage of it, he may be the cause of bringing great loss upon us, and thus be a curse instead of a blessing.

For instance, he selects Belle Vues. The shares are undoubtedly a market favourite, the mine appears to be developing most promisingly, it is becoming richer in depth, the monthly returns,

therefore, are likely to increase, with the prospect of bigger dividends to the shareholders. So he buys them and the price goes up. At the next settlement he is paid his differences, or his profits. He bulls them for the next settlement, but during the following account the bears make a raid upon them, in the manner I have described. Or there comes bad news from the mine, and he is scared. He sees inevitable loss staring him in the face, and therefore he sells at the best price he can get, before they go lower. Thus, his selling helps further to weaken the price and to scare others, who cannot see into all the complexities of the situation. Some bulls, of course, may still hold on, if it is only a bear raid, in the certainty that the bears will be defeated, that they will eventually be compelled to cover, and that this covering will strengthen the market. But these are experienced bulls, speculators who can see further than the ends of their noses, and not those 'weak-kneed' bulls who, as the market article states, are an element of weakness to the market. As a rule, however, there are more weak-kneed bulls than strong-kneed bulls, and this is a factor that must not be left out of our calculations.

Like the bear, the bull always, or mostly always, gives a reason for his buying. He must be a good inventor and a clever liar. He hears on very good authority that the mine is opening up splendidly, that a new reef has been cut going 5 oz. to the ton, and that the directors are only waiting for more assured proof before communicating the news

to the shareholders. So this is good enough for the shareholders and the speculators for the rise, and everybody is a buyer of Belle Vues. Bears may spread the rumour that the news is not true, but in the excitement this is not listened to. The directors are in no hurry to contradict the rumour. They are rather pleased to see the price go to such heights, for they can sell out themselves at a big profit, and buy again at lower prices. They do not contradict it, perhaps, for a week or so afterwards, when they have made their profits, for it is necessary that the price should now go down in order that they might buy in again. So they publish a statement saying that they have been in communication with their manager respecting the reported discovery, etc., but he cables to the effect that no such rich lode has been struck, though he adds that developments continue to be most promising. Of course, everybody is disappointed. We see that the price will go down on this news, and so we sell. Those who happened to buy, say, a day or two before, sell out at a loss, whilst we ourselves have missed the profit which we were just holding out our hands to take. These bull tactics have, therefore, been a cause of loss to us, when we were fully confident that they would be a cause of gain.

I hope, therefore, after this explanation of what a bull or a bear is, and how their tactics affect the market, it will bring about a change in the ordinary man's conception of them. He has hitherto conceived the bears to be those people who sell, without troubling to find out what their object is, viz.,

to buy again, that they merely make prices go down in order to make them go up again. If the bear sells, and yet does not depress prices, he cannot keep on paying his differences for ever. He will be compelled ultimately to buy those shares to cover himself, as it were, and, therefore, if there is a big bear account open and bulls know this, the knowledge strengthens the market, for those bears will have to be purchasers by-and-by. This explains, therefore, the meaning of the phrase 'The market is supported by the existence of a big bear account.'

On the other hand, a bull account may be a source of weakness to the market. The ordinary man conceives the bull to be the speculator who makes prices go up. He buys in the hope that the price will go up; but he may hold on for weeks, paying his differences and his rates at the settlements, and if he finds at last that they actually go down instead of up, he has to sell at a loss, and this selling naturally helps further to depress the price.

Thus, we hear of 'cornered bears' and 'stale bulls.' Bears are cornered when there is a rig on. They sell certain shares which are in the hands of a few persons, and those persons hold, knowing that the bears will eventually have to go to them for the shares. Thus, they can send the price up as they please, and the bears will have to pay it when they have to cover. The most experienced speculators have often been caught in this way, as lately in the case of Le Roi No. 2 and we shall see

repetitions of it as long as the Stock Exchange exists. Stale bulls, therefore, are those who have held on too long, and have been obliged to sell at last, at a loss, hence the meaning of the phrase 'The market is depressed by the existence of a big—or a stale—bull account.'

CHAPTER XIII

FASHIONS IN MINING

There are such things as fashions in mining speculation, just as there are fashions in clothes, and these fashions, of course, have their influences upon prices. These fashions, for the most part, seem to be started by a mere whim, and they last only as long as that whim lasts, and do not seem to be in the least directed by reason and common-sense. I am, for one, wholly against this fashionable speculation, this slavish imitation of other people, not so much because we suspend our own individual judgments, but because, like servitude to fashion in other things, they prove to be terribly expensive, and even ruinous; in fact, it leads as surely to ruin as any other idiosyncrasy I can think of. It is started generally by a gold discovery in some hitherto remote or unknown part of the earth's surface, in some region which we may have heard of only in our geography books, or even not there, or in some inaccessible desert, where white men have hitherto not penetrated. But it is a gold discovery, and that is enough.

FASHIONS IN MINING

The word 'gold' turns people's heads at once, and they all want to have a share in this discovery in some way or other. If they cannot go to the place themselves, they can, at least, pay for other people to go there and get the gold for them, giving them a percentage on their finds. Anyone would think, judging from the craziness of the people, that this was the only part of the world where gold was to be got, and that the discovery had come just in time to save us from a dearth of the metal. It seems to have gone entirely out of their recollection that other gold-fields are actually at work and turning out the precious metal in huge quantities, and are likely to keep on turning it out for many generations to come. In this we undoubtedly see a most remarkable idiosyncrasy of human nature. People care not whether gold is still being got on the Rand, in Australia, in India, and elsewhere; they evidently want some *new* gold from some *new* place, and now, therefore, their wants are likely to be satisfied.

How many fashions we have seen come into being, and how short-lived they have been! Not so many years ago we witnessed a fashion in West Australian mining. We were all startled one morning by the news that some gold ore, running several ounces to the ton, had been picked up by some lucky prospector at a place called Coolgardie, and immediately everybody envied that prospector and wished that they had wings that they might fly to that very spot and pick up gold nuggets themselves. The ore might have been

carried to that spot by that very prospector, but that mattered not. It was gold, and therefore vivid imaginations pictured the land shining with gold. Although we had never heard of Western Australia before as a land of golden promise, this discovery was sufficient to foreshadow for it a marvellous future. It was astounding how this discovery was immediately followed by other discoveries, just as though it was a sudden recollection on the part of innumerable people that they had seen gold quartz there too, though they had not troubled to pay particular attention to it at the time.

And all the time there were people in London—called company promoters—who actually knew of the existence of hundreds of rich mines in this very place, men who for some reason or other had kept this knowledge to themselves; but now that the secret of gold in Western Australia had been let out they saw no reason why they should not make their knowledge known, and give everybody who cared to seize it an opportunity to get as much gold as they liked. Evidently, in this unknown land, claim after claim must have been quietly pegged out, not a soul knowing of it but the peggers, for claim after claim and mine after mine were, within a few weeks of the announcement of the discovery, floated into companies, and everybody was only too eager to take up shares in them. It only goes to prove, after all, how subtle is the dividing line between sanity and lunacy, and how a mere accident, such as this, will infect a whole community with madness. In the popular

imagination one had only to put a pick into the ground in any part of a territory extending for thousands of miles, and there gold would surely be struck. It didn't matter in the least whether it was a wilderness, whether there was any water, or timber, or transport facilities, or labour, or anything but gold. All that was necessary was simply to take a walk to the spot with a cart or two, and shovel the gold into them, and then come away.

I do not think that this is an absurdly exaggerated picture of popular ideas at that time. If it is an exaggerated picture, then I don't know how to account for the extraordinary notions that took hold of people from one end of the country to the other. The meanest intelligence would have questioned the possibility of hundreds of properties being discovered in a shorter time than it would take to reach them, not one of which but what was marvellously rich. It did not appear at all incredible that these properties should be discovered so suddenly—just as suddenly and as rapidly, indeed, as one could cable from this country to Australia. It did not appear incredible that gold could be taken out without shafts being sunk, or machinery being provided to crush and extract it. For if people had stayed to reflect upon these things—that thousands and thousands of pounds would have to be spent in developing a mine, that plant would have to be provided, and that railways would have to be built—surely they would not have been so eager to give their money to promoters merely for the asking.

No; it was a gold-fever, and, as in all fevers, the victims became delirious and raving. Where the gold-mining industry had become established in other parts of the world it was ignored, probably because it was not exciting and romantic enough, for evidently the taste for romance seems to play no little part in mining speculation. And where are all those companies that were floated in the early days of Western Australian mining? How many have disappeared from our recollection, though probably not from the recollection of those who were ruined! Only a few are left—a few dozen out of many thousands, and even of these few dozen how many will be ultimately successful? We are apt to blame the promoters for this; but, after all, they are but human, and, like all of us, make money out of ephemeral fashions. The tradesman does it on a small scale, merely because the scope is not given him to do it on a large scale. As I have said in a former chapter, the promoter doesn't deprive us of reason and intelligence. And surely if we do not exercise our reason and intelligence, and therefore suffer the consequences, we ought not to blame others.

Reason and intelligence would have saved us from all the disasters that followed in the train of our folly and madness. It was not as if we had had no previous experience to teach us. We had had plenty of experience. We know that, as surely as the night follows the day, so surely will company promoters float companies the very moment there is a new gold discovery anywhere.

It matters not where that discovery may be. It may be in the wilds of Africa, amongst cannibals, where only one white man has ever been, or it may be in the Arctic regions, equally as remote from man's knowledge, still the promoter has for sale as many properties and mines as the public are willing to purchase. He is not foolish enough to wait for those properties to be discovered or those mines to be opened up. If he did, he might find the eagerness for them die out, and hence his opportunity would be lost. He must not waste time. He must cable out immediately to friends or agents in Australia, and get them to employ someone to peg out a few claims, and then to employ someone —a butcher or a baker will do—to write reports on them, and put M.E. after his name. All these properties are situated right in the heart of the discovery. Hundreds and hundreds are situated right in the heart, and the average man does not stay to think that they must all be piled on the top of each other, or else they could not otherwise be in the heart. The formation, of course—which is seen only by the eye of imagination—is of such and such a kind, all favourable to the existence of gold, and the lodes running through the property are all of the true fissure type.

Now, we know that all this has been done over and over again, and always will be done, and therefore why do we not take the necessary precautions? The question is more easily put than answered. Is it because of the absurd notions I have described? or is it because people see in it a unique oppor-

tunity for investment and speculation? Both reasons will, I think, account for it. There is no doubt that such a discovery inflames the imagination of the man who has hitherto never speculated or gambled in a mining share, and who has never troubled himself to learn anything about it. He has, of course, heard that people have made their fortunes out of it and that one or two have been ruined; but it is the fortune-makers that make the deepest impression upon his imagination, for those who are ruined are mostly fools, who would be ruined in anything. So he is tempted this time to have a 'flutter' himself, as he calls it. Everybody else is, and therefore he might as well be in it as not. He longs to be in it, and is envious of those who are pocketing their thousands, not knowing that the latter are merely the wide-awake speculators and promoters. So he succumbs to the temptation, and, once he succumbs, he finds it more and more fascinating, and he goes more and more deeply into it. He subscribes to the shares of new companies, and when he has them he doesn't know what to do with them—whether to keep them, or sell them, or speculate with them, or what. He knows nothing of mining, so he buys a treatise on mining to read it up, and finds he cannot grasp it. He asks his broker and other people for advice, and finds it contradictory. He buys financial papers, and has copies of financial rags sent to him, he knows not by whom. His attention is directed to an article on page so-and-so, and he may find that it is on the very company in which

he holds shares. Of course, it dilates on the wonderful prospects of that company, and advises those lucky people who have shares in it to hold on, for they will become very valuable by-and-by. This is good enough for him. What doubts he may have had before are now cleared up. The paper must be right. It doesn't tell him on the title-page that the paper is a 'bucket-shop' rag, or one produced by the promoters themselves, or one run by a blackmailing gang, and that this very article has been handsomely paid for. He has no suspicions of the kind. It is to him a genuine article, written by an honest editor with no interested motives—by a man who knows what he is writing about, and not by a scoundrel who ought to be in prison. In another page he reads paragraphs recommending other shares in other companies, all of which have a great prospective value, and are good enough for a rise. Therefore, as he is in one good thing, had he not better go in another? He accordingly debates the matter with himself, and perhaps finally decides to buy some of those shares. And so he commits himself more and more deeply, owing to his ignorance. He reasons the thing out, so he thinks, in a sound, business-like way, but knows not what a child he is.

This is one way in which the ranks of those who speculate in mining shares are swollen at the times of new discoveries. They are swollen also by others who have been taught by previous experience, but who hope to profit from that experi-

ence at the expense of the ignorant. On the last occasion of a similar boom they lost heavily, but that was merely because they didn't know better. They have gained a great deal of knowledge since then, and there is no reason why they should not profit from that knowledge now. They'll take care not to be taken in as they were before. They now know the ways of these promoters, and, knowing them, they will be able to avoid the mistakes they made in the past. So they subscribe to the shares of new companies, knowing well that they will be good gambling counters, for there will be any numbers of the ignorant and inexperienced who will buy them, and so they will be able to get back some of the money they lost years ago.

Others who subscribe are, of course, old stagers, who welcome booms of this kind because a prolonged experience of them has taught them how to take advantage of them. So for a time things go on merrily, and keep on attracting greater numbers of the ignorant, who load themselves with shares, and hold them until that time, predicted by the papers, when they will become very valuable.

This fashion, therefore, has a potent influence on the mining market. It narrows speculation down to one limited area. All other mining shares are neglected. There is no longer any demand for them, except on the part of wideawake investors, of whom, unfortunately, there are very few. Indeed, speculators sell out of their South African and other shares in order to obtain the resources wherewith to gamble in West Australians, and

this may bring about a serious slump in South Africans and others. It will also affect other markets besides the mining, for the professionals will not stand idly by and see splendid opportunities escape them elsewhere. Jobbers, seeing business restricted in South Africans, and even in the railway and industrial markets, will migrate to the West Australian in order to extend their scope of action while the boom lasts. And the boom may last for a year or two, or even three years, before the collapse comes. And when it does come every department of the mining market is affected. The great public, having been loaded with scrip that is now worthless, will no longer buy a mining share. Every mining share possesses an equal value in their sight—worthlessness. They keenly resent the manner in which they have been defrauded. They see themselves to be the victims of rogues and scoundrels, and they resolve never to be victims again. And in this humour they will sulk for a long period of time—until, perhaps, there is another gold discovery and another boom. They then, in their turn, resolve to profit from their past experience, at the expense of others who have not been bitten as they have been. And so history repeats itself, and so may we all profit from these experiences if we will learn how.

It is indisputable that these fashions are frequently a godsend to experienced speculators, and those who know how to profit from them can easily make their fortunes, and never have further need of speculating again. I suppose I am writing this

book for such people as well as for the ignorant, and therefore I advise them to learn to take the greatest advantage of any such temporary public excitement. It will have its usual effects, of course, and be not a little harmful to the mining market, and later on greatly restrict the opportunities of speculation. But, unlike the investor, the speculator looks to the present and not to the future. The future—I mean the distant future—must take care of itself, and so must the mining industry. He must make his pile now, and if he can do so, then he need have less anxiety about the future. The best kind of shares to speculate in are undoubtedly land and finance companies. They are generally the first to be formed, they take up a great area of country—a swamp or a marsh will do just as well as a fertile piece of land—and these will be sold to subsidiary companies for sums considerably in excess of what was originally paid for the land. These sums will represent profits, and enormous profits, too. These subsidiary companies are floated, and promotion profits are made on their flotation. Then the parent company speculates in the shares of its offspring, and thus makes huge speculative profits. Of course, it cannot be kept up for long. It is only the ignorant who think it can. They pay 50 and 100 per cent. dividends for a year or two, and the ignorant keep on buying the shares at inflated prices, which speculators sell to them. Let the experienced and inexperienced alike, therefore, keep their eyes on this class of shares. Let the latter

not keep them there for long, however. But they must draw up their own calculations as to how long that time should be.

This boom is, as a rule, a very favourable time for the investor. He should have nothing whatever to do with the boom itself. He should not subscribe to any new companies. He will find far better opportunities elsewhere. The shares of well-developed and proved South African gold-mines will be sold, and he should promptly buy them. He may never have such another opportunity. When the boom is over attention will once more be paid to South African and other mining shares, and they will be bought by speculators and investors alike. Such shares cannot be neglected. Their value is far too assured. Prices will go up, and if the investor cares to sell out he may sell out at a profit. So these fashions and booms may be beneficial to some people. If they are disastrous to others, then others must largely blame their own folly for it.

CHAPTER XIV

MINE DEVELOPMENTS

In the glossary appended to this work I have attempted to give a brief explanation of many of the technical words that are so frequently used in mining reports, and that are not understood and cannot be grasped by the average layman. Therefore I think it advisable to devote a chapter to the giving of a fuller explanation of many of the commoner terms used, and to do this by the help of illustrations. Our financial papers, especially the daily papers, contain many columns of the reports of mine-managers, which are undoubtedly of the greatest help to mining investors and speculators; but if these reports, studded as they are with technical phrases, are so much unintelligible gibberish to them, then they are of little value—or of little practical value—to the ordinary shareholder, and he might just as well be without them. It would be possible, of course, to make them much more comprehensible if the directors of mining companies would take the trouble to make them clearer. The work could be given to the consult-

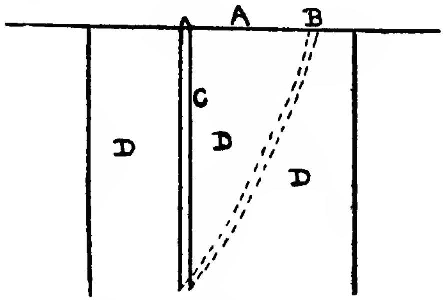
ing engineers on this side, and I do not see that it would entail so very much labour and expense, and there is no doubt that shareholders would be most willing to go to that expense if they could benefit greatly from it in another way. I should therefore very much like to see a reform started in the form of publishing managers' reports, but I have no hopes that such an innovation will be attempted. It suits the directors of too many companies to make them as unintelligible as possible and to puzzle the shareholders, whilst such a reform might often entail the publishing of that which they would rather conceal.

It is the habit of many companies to issue very meagre reports, which give us no practical information whatever, and which leave us as much in the dark respecting their positions and prospects as though no such reports had been issued. Others adopt a policy of quite the opposite kind, and, if anything, give a little too much detail, which only bewilders the shareholders. The directors of the Indian companies adopt this policy. Nothing could be more admirable than their policy of giving the shareholders every scrap of information that comes to them, but I fear that very few have the patience to read through these lengthy, dry reports, and still fewer are able to grasp them. I think, therefore, shareholders would be better pleased if they could be summarized, and if only the salient points were given in a more lucid manner. I throw out this suggestion to the directors of these great Indian companies, for they might thus commence a reform

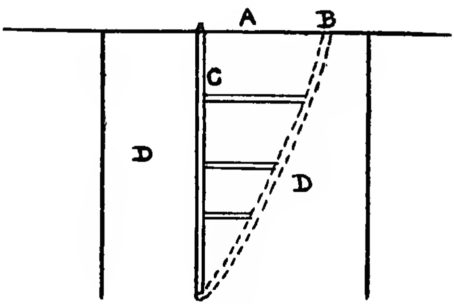
that might be followed by a large number of other companies, a reform that would be a great boon to mining shareholders, and help not a little to attract those to mining investment who have been scared by the technicalities of it. These technicalities are to them so many snares, but take these snares away and we would certainly find them become more venturesome. By studying the monthly or fortnightly reports shareholders are able to follow the developments of a mine, to know how it is opening up, and those who study them have a great advantage over those who do not, for they can often tell whether the shares they hold are likely to become more valuable or less valuable. If the former, then they would not sell their shares, and if the latter, they would be able to sell them at the right moment. But even then those reports might give false information, for they might be 'cooked'; that is to say, the directors might alter them and rewrite them to suit their purposes. These risks, however, are not easily to be avoided, unless we know the directors to be dishonest, unscrupulous men. And such knowledge is only to be gained in the majority of cases from experience.

Now, we hear of a reef outcropping or showing itself on the surface of a property, and we assume that that reef goes down in depth. But we cannot reach that reef or work it out in the bowels of the earth without sinking a shaft, nor, of course, can we know without testing it what its value may be at a few hundred feet below the surface. There-

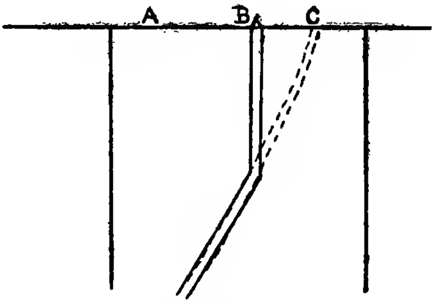
fore a vertical shaft is sunk to a certain depth to try and strike the reef. The following illustration will show what I mean :



Here the reef outcrops at the place B on the surface of the property A, and the manager sinks a vertical shaft C, and succeeds in striking the reef at, say, 300 feet. He finds it rich there, and assumes that it will also be rich nearer the surface. Accordingly, he drives levels or tunnels through the country rock D at intervals of 50 or 100 feet, as follows :

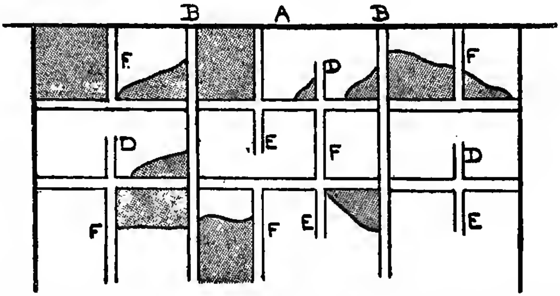


The ore is then worked out of the reef, or stoped out, as it is technically called, and taken up to the surface through the shaft. Or another shaft may be sunk nearer to the lode, to facilitate the labour and to lessen the expense of haulage. Sometimes, however, instead of sinking vertical shafts, what are called underlie shafts are driven; that is to say, they may be sunk vertically for a little distance from the surface, and then they are continued on the dip of the reef, and this is supposed greatly to lessen the expense and the labour. The following illustration will convey an idea of it:



At the place B the shaft is sunk vertically, and afterwards it goes off at an angle to follow the reef C as it dips. Sometimes two underlie shafts are sunk, and at intervals levels are driven to prove the value of the lode, and these levels will meet and thus improve the ventilation of the mine and facilitate the haulage of the ore. From these levels here and there winzes will be sunk, which are merely small shafts from level to level, and rises will

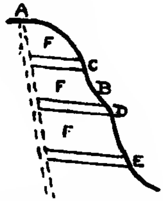
be driven, which are small shafts worked upwards instead of downwards, and these rises and winzes will then meet. From these rises and winzes the ore is stoped out, as shown in the following illustration :



Here we have shafts sunk on the reef at B, and levels driven right along the course of the lode, where rises (D) and winzes (E) have been driven and sunk, whilst in some places the winzes and rises (F) have met. The shaded portions show where the ore has been stoped out and taken to the surface, and the unshaded where the lode is still intact and still to be stoped out.

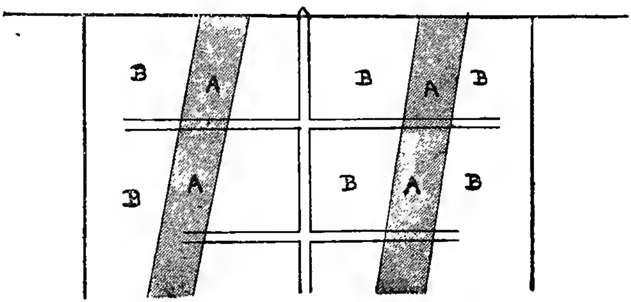
Some reefs, as we know, run through a mountain, and when this is the case the company is a fortunate one, for such a reef can be mined much more cheaply than in the ordinary case, for here we can reach it much more easily and less expensively than in sinking shafts, whilst the cost of haulage is not anything like so great. These lodes are worked by means of adits, which are tunnels driven into the side of the mountain or hill, from which the

usual levels are driven, by means of which the property is developed in the usual way. The following gives an illustration of this:



A shows us the outcrop of the lode on the top of the hill, and how it dips through the hill. B is the side of the hill from which the adits, or tunnels, C, D and E, have been driven to intersect it. F is the barren country rock.

Sometimes in a report we are told that they have come across a rich shute or patch of rich ore, and this is undoubtedly of frequent occurrence, especially in Western Australia. The following shows a reef in which there are two of these shutes in the reef, the shaded portions being these shutes, and the unshaded the poorer portions of the reef :

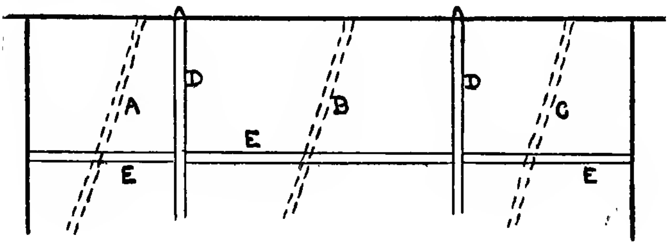


When rich shutes or pockets of this kind are encountered, dishonest directors and managers work them for all they are worth, in order to send up the prices of the shares on the market. It is called 'picking out the eyes of the mine,' and this is what is done to enable the directors and their friends to speculate in the shares for a time, until the rich shutes have been worked out. Then the manager has to work the poorer portions, the monthly returns fall off, and the price of the shares declines, and there has been another scandal added to the long list of those of which mining directors have been guilty. When levels have been driven right across this lode, some parts of the levels will, of course, be in rich ore, and others not. The ends of them, which are driven through the shutes, will, on the other hand, be in the unshaded portions given in the above illustration, or in poor ore, thus making clear the common expression in managers' reports, that the ends of the levels are in poor ore. Therefore, from this we may generally conclude that a rich shute or shutes are being worked.

If, on the other hand, two shafts have been sunk, each one on these rich shutes, we should naturally have an exaggerated idea of the richness of the lode, concluding that it was all as rich from shaft to shaft, whereas the subsequent drivings of the levels would prove it to be poor for some distance between both shafts. Again, if the shafts happen to be sunk on the poorer portions of the reef, we may conclude that it is a very poor reef, until the levels prove that there is richer ore lying on one or both sides

of it. Thus, it will be seen that, when driving on a formation of this kind, it is only after several cross-cuts have been put in at various points, proving it in breadth from the hanging wall (which is the part of the lode lying next to the country rock immediately above it) to the footwall (which is that part of the lode lying nearest to the country rock below it), that we can get anything like a fair idea of the value of the reef—that is to say, whether it is likely to prove payable or not.

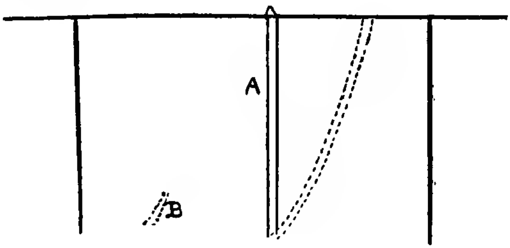
Sometimes we read of parallel reefs being found in a property, and the meaning of this is so self-evident that it hardly needs any explanation. However, the following illustration will show how they often occur :



A, B, and C are parallel reefs traversing a property, and D are two shafts sunk, from which cross-cuts (E) are driven to prove their value. Often, instead of sinking shafts to prove a reef at depth, the less expensive method is employed of sinking bore-holes, as is now being done in West Africa.

Often we hear of a fault having thrown the reef in another direction, and, therefore, of the reef being

lost. This is the effect generally of some volcanic upheaval, and in many cases it means a great expenditure of capital and labour to find it again. The following illustration will show how a reef has been thrown a considerable distance from its original dip :



Here the shaft A has been sunk to strike the reef, say, at 200 feet, but a few feet lower it finds that the reef is lost. Hence levels have to be driven in the direction the manager thinks it will be found. Here we find it to be an upthrow (B), and the manager may guess successfully where it is likely to be. But if it happened to be a down-throw instead of an upthrow, he would make a most expensive miscalculation, for which the share-holders would have to pay. But as it would not be his fault, but Nature's, the shareholders could lay no blame upon him, and would have to bear their misfortunes as patiently and as philosophically as they could. Such faults as these are, of course, not confined to any particular field or formation. They are met with everywhere, and have been somewhat common on the Rand. All this adds

greatly to the speculative nature of mining. A company may for many years be very fortunate in striking rich ore, and then suddenly the rich reef which it has been working may be lost altogether, and the shareholders may have to wait many years before it is found again. The expense incurred in this way may be so great as to nullify the earlier successes. The company may have to be reconstructed several times before the reef is found again, and then when it is found the risk has to be faced of finding it as rich as where it was intact.

This, of course, is no reason why mining should be condemned, or why so beneficial an industry should be handicapped for the lack of means to carry it on. There are just as great risks to be run in other ventures, and perhaps, on the whole, they may even be greater. An invention may come out to-day which may revolutionize a certain trade or industry, and it may accordingly be an enormous success. But that success may be short-lived, for a better invention still may come out and bring heavy losses upon the company that exploited the original invention. The onward march of science puts a great many flourishing undertakings in perilous positions, so that mining may not be more risky, if we take the proper precautions, than many other phases of industry. I advise everybody, therefore, to take those precautions, and if they are taken then I shall feel that I have not written this book in vain.

CHAPTER XV

REPORTS AND MEETINGS

EVERY day we see published in our financial papers extracts from the reports of directors, and also more or less lengthy reports of company meetings. The ordinary man has no other source of information than these as to how individual companies are progressing or retrograding. The majority of the annual reports published by directors contain but the meagrest information, and often perplex rather than enlighten shareholders. Many are extremely vague, simply because in the majority of cases the directors have really no knowledge to impart, or that which they could impart would be so opposed to their own private interests that it would be suicidal to publish it until dire necessity enforced it. These annual reports are, of course, sent to the shareholders, but if the latter cannot attend the meetings they have to trust to the financial press for a report of them; and if the directors do not see their way, or do not think it prudent to pay for a report of their meetings, then, of course, the shareholders must rest satisfied with the little

they have been told in the directors' reports. They likewise have to trust, in the majority of cases, to the financial press for the fortnightly or monthly reports of the mine-managers, and also to the cablegrams from the same individuals, the plea being that it would be far too expensive to post these to every shareholder. I have no intention of criticising this policy, for it does not come within the scope of this book. It is a purely domestic matter for mining shareholders, and if they are satisfied with it, then we of the press should be the last to complain of it. At any rate, the policy seems to have become a rigidly established one, and reform is exceedingly improbable.

But I am now speaking more in the interest and from the point of view of the man who is not a mining shareholder, yet who is desirous of investing or speculating in mining shares. How is he to be guided? How is he to get the information that will help him? Most men content themselves with asking the advice of others, and with writing to the editors of the financial press to recommend suitable shares. But what of those who are resolved to rely solely upon their own judgment? There are many such. There are only the financial papers to which they can go for information. Here they will find extracts from directors' reports, managers' reports, cablegrams, meetings, the mining market, price-lists, editorial comment, etc., but every report that is issued is not published, whilst the managers' reports and cablegrams are mostly unintelligible to those who have not followed them

up to date. The price-lists are of help in ascertaining the market there is in individual shares, though of themselves they cannot give evidence of their intrinsic or prospective values. And as for editorial comment, there is a marked absence of this, as a rule, whilst even when it is indulged in it may be too vague and general, or else may be written from motives which would mislead readers rather than rightly guide them.

Therefore, the ordinary man reads the extracts from the directors' reports himself, and tries, from the information there given him, to form his own opinions. But even his own judgment, in the lack of knowledge and experience, may lead him astray, and he may invest in a worthless share, thinking it a valuable one, or pass by a valuable one, with the conviction that it was a worthless one. His difficulties are great, undoubtedly, and disinterested, competent editorial advice would be a boon to him. Moreover, his difficulties are made the greater because he has no opportunity of inspecting balance-sheets and profit and loss accounts, for the financial press could not afford the space to publish these. To show how difficult it is, I will select one or two reports that have recently been published in the daily papers, and will read and study them as an ordinary man would do.

MOUNT MALCOLM MINES.

The report of the directors of the Mount Malcolm Mines, Ltd., covering the period from the 17th March, 1900, to the 31st March last, to be submitted at the meeting on the 30th

inst., states that, after writing off £1,804 from plant and machinery, and half the preliminary expenses amounting to £1,989, there remains £3,727 to the credit of profit and loss. As the shareholders have recently been informed, the directors have thought it advisable, under the recommendation of its representatives in Western Australia, to restrict the operations to development of the mine, and accordingly the battery and cyanide plant have been stopped. They are of opinion that this is the wisest policy to pursue, as the crushing of small parcels of stone every month entails a much higher mining and milling cost. During this period 6,297 tons of ore have been crushed for 4,193 oz. of gold, and 7,585 tons of tailings cyanided for 2,029 oz. of gold, being a total of 6,222 oz., amounting to £23,765, after taking off the cost of transit and realization. A large amount of development work has been accomplished upon the company's property during the period under review. The reef has been exceedingly erratic; several rich strikes of ore have been made in various parts of the property during the year; but, unfortunately, these good developments did not continue. The directors hope that the shute of ore in the Juliet mine will be found to be a continuation of the good stone which existed in the upper levels.

Now, the ordinary man reading this report would not know that this company, although a young one, has been reconstructed, that in 1899 the old company paid a shilling dividend, and that crushing has been in progress since the middle of 1897. This is information that he should get to know, even though it may not be much, or very valuable, for it is better than being ignorant of it. The ore is poor for a West Australian mine, and we find consequently that the company is hardly paying its way. The fact that the battery has been closed down, and the cyanide plant stopped in order to concentrate work on the development

of the mine, is evidence, reading between the lines, that the manager is not satisfied with the bodies of ore he has been working, and that if the company has nothing else to rely upon it is practically doomed. Therefore, everything depends upon the results of this development work, and there is no knowing how long the shareholders may have to wait for results. So far as development work has proceeded, it has proved the mine to be very patchy, and it is very rarely that reliable, regular formations are found in such properties. Still, we must take the chance of the Mount Malcolm proving an exception to the rule. Is this a good mine to invest in? Are the shares promising speculative shares? As they stand at only a shilling or two, a few may, perhaps, be a good speculative purchase, but in a case of this kind the purchaser must be satisfied with a very small profit. An ordinary man reading a report of this kind would likely criticise it in the way I have mentioned, and therefore advice from those who had the full report, or who had followed fairly closely the history of the mine, would be of the greatest assistance to him. It would depend much upon his temperament as to whether a two-shilling share in such a company, issuing such a report, would be attractive to him. Others would pass it by and look for a more promising speculation elsewhere, and they would find it in the same issue of the paper, where the following report appeared:

CHICAGO-GAIKA DEVELOPMENT.

The report of the directors of the Chicago-Gaika Development Company, Ltd., for 1900, to be presented to the meeting on the 22nd inst., states that the outlay on the property for the year amounted to £12,199. The total footage cut during the same period was 2,946 feet, which has all been completed on the Chicago-Gaika mine, and the grand total footage on the mine to date is 6,906 feet. The ore reserves at the end of December last amounted to 7,237 tons, of an average milling value of 2 oz. 10 dwt. per ton, besides which Mr. Currie reported on 10th April, 1901, that some 21,660 tons of payable ore on the surface had been measured up and sampled, making the total ore reserves on that date 28,897 tons, of an estimated average milling value of from 18 dwt. to 1 oz. per ton. Since that date, by latest advices, an additional amount of 17,000 tons of payable surface ore has been measured up and sampled, making the total ore reserves 45,897 tons. The development of the past year has conclusively proved the permanent character, both laterally and in depth, of very high grade ore bodies on some four distinct lines of reef. The property has been fully reported on by Mr. Currie, who strongly recommends the immediate formation of a subsidiary company for the purpose of erecting, to start with, a 15-stamp mill with as little delay as possible. The directors have this proposition now under consideration. As soon as the flotation of the Chicago-Gaika property has taken place, development will be commenced on some of the undeveloped claims with a view to their subsequent flotation.

The Chicago-Gaika is a very promising Rhodesian company. The fact that it is situated in Rhodesia, instead of in an erratic district in Western Australia, should of itself make it more attractive to the speculator. During the war we know that mining work has been seriously interrupted, and that labour has been so scarce that some of the mines have had to close down. But

we know that the war will be over sooner or later, and we know that the termination of it will be greatly to the benefit of the Rhodesian mining industry. That, again, should be sufficient to give rise to speculative activity in Rhodesians, and therefore this will mean an all-round appreciation in the shares.

From the above report we find that the mine has been developed to a considerable extent, and that there is a large amount of ore reserves of more than average richness for a Rhodesian mine. Moreover, if there is no exaggeration in the statement that 'the development of the past year has conclusively proved the permanent character both laterally and in depth of very high-grade ore bodies on some four distinct lines of reef,' then it looks as if the shares will eventually advance above the price of $1\frac{1}{4}$, at which they at present stand; and therefore they have a good speculative value, with few risks attached to such a speculation. It is true that we learn nothing from this report as to the financial condition of the company, and we have to make the most of the little information there given. But that information is distinctly promising and encouraging, especially as the company will make profits on the flotation of subsidiary companies, and the favourable time for such flotations is approaching. It is possible, of course, that the company may turn out to be a good investment, but that cannot be judged from the report as published. That depends upon the results of further development work, and, as we

shall evidently have to wait a considerable time for those results, speculation in the meantime would be more profitable than investment.

Thus, we have briefly looked at two reports from the point of view of the ordinary man, and find that, taking them on the whole, they are not of very great help to him, though in the majority of cases it is all the information he can get upon which to form his opinions. He will get more information in the reports of meetings ; but even there chairmen are not fond of giving too many particulars, especially if vagueness of statement and profuseness of promise will serve them better. The majority like to charm the shareholders with empty eloquence, with generalities instead of particularities, especially when the latter would not be flattering to themselves nor pleasing to the shareholders. We may read such a speech, and be altogether carried away by the promises it holds out and the hopes it foreshadows, and be equally as charmed by it as the shareholders who listened to it. But such a speech should be more calmly criticised than any other, for it would be better to have a few sentences of solid, weighty fact than columns of meaningless words and phrases. The ordinary man, therefore, who does not understand the tricks and the subtle manœuvres of the average chairman, is likely to be charmed by them as the syrens charm unwary travellers to their destruction, and he therefore needs advice from those who are more experienced than he. Let us take two short reports of company meetings, and see

what the average man is likely to make of them, and I will again select, out of the same issue, a West Australian and a Rhodesian company:

COSMOPOLITAN PROPRIETARY.

The annual general meeting of the Cosmopolitan Proprietary, Limited, was held yesterday, at Winchester House, Old Broad Street, E.C., under the presidency of Mr. John H. Gretton (chairman of the company).

The Secretary (Mr. H. Milner Willis) having read the notice convening the meeting,

The Chairman said: It is now my duty to lay the accounts and report before you, and to ask you to approve them. I do not think there is anything in the accounts to which I need call your attention, as they seem to me to be clear. The property in which you have invested your money has developed in value to a magnificent degree—to such a degree, in fact, that we are of opinion that it is absolutely certain you have one of the most valuable, and perhaps the most valuable, mine of its kind in the world, with results in the future absolutely secure. When I had the pleasure of addressing you about this time last year, your property consisted of 301 acres; it now consists of 455 acres. We have not increased the acreage simply for the purpose of acquiring additional land; but we were anxious, having found very valuable deposits of gold in the upper levels of your property, that we should secure those deposits in depth. Of course, the profits we have been able to show up till now are nothing compared with the profits we shall be able to show in next year's accounts. For eighteen months up to December 31, 1899, the profits were £5,770, and by this account you will have seen that for twelve months they were £17,594. Now, the profits for this year will go on increasing in the same proportion, at least, as 1900 compares with 1899; but this time next year we shall, of course, be paying you a very substantial dividend in respect of 1901. The line of policy that we have adopted, as I explained to you last year, is to consolidate your property, and to establish the value of

it upon a basis which can leave no doubt as to the results. You know we secured for you a battery of 50 head of stamps —the finest machinery that could be obtained. We arranged that the whole of the expenses of sending that machinery out and erecting it should be paid for by others. We secured to you a valuable lease which was important to consolidate the property itself, and the mill is being put up, and will be erected to the satisfaction of your directors and your representatives without a penny piece of expense to you; and that mill will be ready to work in October next. We have hitherto been working with a mill of 30 head of stamps. We cannot say it is an up-to-date mill, but it has done good work. We have not worked the 30 head, but only 20 head of stamps. In consequence of the mill not being up-to-date, we have kept 10 head in reserve; so that in case any stamps required repairing we could put on another set from those in reserve. By that means we have been enabled to show you returns which have averaged, up to the beginning of this year, 1,200 oz. per month, and we also put up a cyanide plant which enabled us to increase the monthly returns to over 1,700 oz., and I understand that in the near future—this month or next—the monthly return will be further increased; I mean before the new mill begins to work. Of course, when we have the new mill at work, the returns will rise to 5,000 oz. or 6,000 oz. per month.

We have gone on in the meantime opening up the levels, sinking the shafts, and driving, and it is remarkable and pleasant to know that as we go deeper, so the gold deposits increase in quality; that is, the lode increases in width, and it also increases in value. At the first and second levels the lode was about 3 feet wide, and worth 17 dwt. At the third level it was 8 feet wide and worth 2 oz., at the fourth level it was still 8 feet wide, and assays 1 oz. 9 dwt. There are portions of it which are worth 5 oz. I am speaking to you now of the big mine which is opening out on the Englishman. I will give you these figures exactly as regards the width of the lode. It is 8 feet wide and worth over 2 oz. at the third level, and in some places it is worth 5½ oz.; but, of course, we do not reckon it will go right through at that. Then at the 490 feet level the lode is 8 feet wide and worth 2¼ oz. In a letter we have recently received, the manager says he has

driven on the lode for 666 feet. Now, with 666 feet of this lode, 8 feet wide and worth $2\frac{1}{4}$ oz. to the ton, you have an enormous body of stuff ready to be treated, and that is only from one level, and as we go deeper we find exactly the same remarkable width and richness of lode. That is not the only mine we have upon the property. We have a mine called the Altona, on which the reef outcrops for a mile in length, and that is also opening out satisfactorily, although we are not so deep in the ground there as we are on the Englishman. We have also other reefs in the neighbourhood of the Englishman, called the Scotchman, the Irishman, and the Welshman. All these leases have indications of considerable richness, and enable us to rely upon very large reserves of ore that we can treat in the mill. We estimate that by the time the big mill begins to crush we shall have at least 100,000 tons of reserves of ore which we can put through the mill. (Applause.) I need not tell you that the new mill will enable us to put through an enormous quantity of stuff. Thus we shall have as good a mill as any to be found. We have the stuff there ready to treat, and we have an ample supply of water-power. In addition to that, the railway is within twelve miles of your property, and by the time the new mill begins to work the railway will actually pass along our borders. This will enable us to deal with what I may call the business problem on a very economical basis, and I have no hesitation in saying that you can rely upon our profits being at least £100,000 a year, which should enable us to pay you something like 25 per cent. in dividends. (Applause.) That I consider a conservative calculation; in fact, it may be regarded as a minimum. The maximum is, of course, speculative; but it would not at all surprise me if the results prove to be far greater than I have indicated to you. I think, therefore, I can congratulate you upon having money in a concern that is as good as anything you could possibly hold. I cannot see anything to make this in the slightest degree uncertain.

I suppose we ought not to trouble ourselves about the market price of shares, but it does seem extraordinary to me that with the prospects before us our shares should be standing at present at something like 25s. When you come to compare the present position of your property with the mining

deposits, say, in West Africa, or in many other parts of the world where people invest money in mere prospects, and where the chances of a dividend are very problematical, it seems to me strange that our shares should stand so low in value on the market; but, as I said before, I do not think that that is a question which concerns us. I only say that it surprises us. I hope now I have made the position clear to you. I have heard it asked how it is that we did not pay a dividend out of our profits, even if only a small one. Well, I hope I have explained the reason to you. We are aiming at the payment of much larger dividends than 6d. or 1s. at a time. We are anxious to open up your property in such a way that we shall have the deposits all ready to treat in the new mill when it is erected, and, considering that no difficulty can arise in the erection of the mill, because it is being put up by people who are quite able to carry out their engagements. I hope you will give us credit for having looked after your interests in a proper manner by laying out your property in such a way that it will bring you large returns in the not very distant future. (Hear, hear.) I think it is my duty to publicly recognise the valuable assistance we have received from our representatives in Western Australia, and especially from Mr. Harold Baker, who holds your power of attorney. We owe it to the industry, integrity and intelligence of Mr. Baker that this property has been successfully developed. (Applause.) We are also very much indebted to our mine-manager, Mr. Hayes, who is a straightforward, intelligent and honest miner. (Applause.) You are likewise indebted to the whole of your staff in Western Australia and to the staff in London for their devotion to your interests. (Hear, hear.) We have endeavoured, as you will have seen, I think, from the accounts, to keep our expenses in London down to a very low point. The office expenses, after deducting the transfer fees and interest we have received, are only about £700 a year. I will now, if you will allow me, read a telegram which we have received this morning. It has reference to the Englishman lease, and is as follows: 'No. 3 level north—Width of lode, 4½ feet, assaying, by bulk assay, 2 oz. 7 dwt. per ton. No. 3 level south—Width of lode, 5½ feet, assaying, by bulk assay, 2 oz. 9 dwt. per ton. No. 4 level south—Width of lode, 8 feet, assaying, by bulk assay,

1 oz. 9 dwt. per ton. Depth of the main shaft is 510 feet; width of lode is 8 feet, assaying, by bulk assay, 2 oz. 19 dwt. per ton. Englishman and Altona Mines are looking splendid.' I now move the adoption of the report and accounts, and I will ask Mr. Hoffmann to second the motion. As you know, Mr. Hoffmann was kind enough to go out to Australia and visit the mine, and, having had great experience in mining matters, no doubt he was able to judge of its merits, and will tell you exactly his opinion of the property which he has seen and I, unfortunately, have not. (Applause.)

Mr. R. J. Hoffmann, in seconding the motion, said: I had not the pleasure of being here at the last annual meeting, being in Western Australia, and at about this time last year on your mine. There I saw the very rich reefs which your chairman has described to you to-day. My experience in mining in some cases has been heartrending, when the reef has been rich, but so narrow that it has been impossible for the miner to wield his pick and stope out the ore. I had the honour of buying this mine. I bought it on the recommendation of my brother because the reefs seemed to go down in wedge fashion, with the business point of the wedge uppermost. The reefs at the top were about 2 feet or 2 feet 6 inches wide, and every 100 feet they went down they increased at least 1 foot, if not 2 feet, in width. When I was at the property they were only down 290 feet to 300 feet, so that they have gained about 240 feet since, which is a very good record for last year. Even when I was there the enormous bodies of white quartz was a very fine sight. There was no mistaking the white quartz against the black granite wall. It did not require an experienced miner to see which were the reefs and which were the walls of the reef. The quartz there is as white as snow, and they are beautifully laminated, and in many cases, where not a speck of gold could be seen by the aid of a microscope, the ore assayed 1½ oz. to 2 oz. and over. We are not telling you of fabulously rich reefs that are going to give 20 oz. or 30 oz. to the ton. You are going to have a steady-producing mine and a steady dividend-payer. I have been rather criticised in regard to a circular which I wrote, and which the board forwarded to you about the end of last year, when I returned from Western Australia, estimating your output to be

rather larger than what the chairman has stated to-day. The reason for what I stated I will now take the liberty of explaining to you. I estimated our total output to come from the Englishman reef. There is no question that the Englishman reef could fully employ your fifty head of stamps without the aid of the rest of your property; but it has been pointed out by our managers, by our consulting engineers (Messrs. Bewick, Moreing and Co.), and by others, that it would be unwise to stope only that rich portion of our mine; that our wisest policy, with our large acreage, and with our six or seven reefs, is to try and average our ore so as to give a long life to our mine. It would obviously be the wrong policy to stope only from the richest portion. I maintain that, if the Englishman continue to give 2 oz. to 2½ oz., as the telegrams received indicate, there is no earthly reason why the average should not be just as high as I stated, and then, instead of having £100,000 per annum, you will have £150,000 or £160,000 per annum when your 50-stamp mill gets to work.

The expenses of working will be very much curtailed when once the railway reaches your property. You will then have stores at Niagara; and, in fact, the railway, which will be ready about the time our mill starts, will go right by the front-door of the bungalow where the manager lives. Therefore there can be no question that our expenses will be brought down, and that fact, added to our large deposits of ore, will enable us to work cheaply and effectively. As the chairman has said, you have a mine second to none in the world. I can compare it best to the Mysore: it is a quartz mine, and very distinct from the deposits we have in South Africa, and the possibilities and probabilities are infinite. We may see as big or a bigger output than any mine in the world if we go on in the way we are doing now. Our seven reefs are all opening out well, and you have about a square mile of property, all of which is ore-bearing. On the Altona the outcrop is traceable for a whole mile. There is about 5,000 feet of continuous outcrop, and in a great many cases the ore runs 2 oz., 3 oz., and 4 oz. to the ton. I cannot say that the reef is quite as wide there as in the Englishman, but there they are only a small distance down, as compared with the 500 feet odd on the Englishman, and, as I have told you, the reefs in that part of

the country seem to be wedge shape: they are small at the top, and go down wider and wider to the bottom. That is perfectly well proved by all the measurements and plans we have had from the mine up to date. In conclusion, I would only again congratulate you on possessing a magnificent property and such a very brilliant prospect. (Applause.)

Mr. Waller expressed surprise that the directors had not declared a dividend out of the profits of the past year, considering that the prospects were so brilliant.

The Chairman stated that the directors could have declared a dividend; but if they had done so, they would have had to curtail the development. Replying to a question, the chairman stated that the ore was absolutely free milling, and there would be no difficulty in treating it. The chances of meeting with sulphide ore were very remote. They had the formation, and had only to bring it to the surface and treat it in the well-known methods of mining.

The motion was then put and carried unanimously.

Mr. W. P. Forbes moved the re-election of Mr. John H. Gretton and Mr. C. C. Baker (the retiring directors). He mentioned that he was chairman of the company which was providing the new machinery for the Cosmopolitan Proprietary, and said no expense was being spared to make it the finest machinery of the kind in the world. That company had a large interest in the mine, and they believed it to be one of the greatest gold-mines in the world. They were therefore determined to put up a mill which would be looked upon as one of the grandest examples of engineering skill ever sent out of this country. (Applause.)

Mr. Hamilton Burton seconded the motion, which was agreed to.

Here we have the chairman and Mr. Hoffmann dealing in superlatives, which we should not allow in any way to influence our judgment. If we are accustomed to reading the speeches of chairmen of mining companies, we know that all of them, with only a few exceptions, have the richest mine in the

world, or the mine that should be the richest, and therefore, as every mine cannot be the richest, we should always smile at a statement of that kind. When we come to look at the facts, we find that the profits have increased, and the property has been extended, and that the chairman emphatically promises—and we must accept his promise—that a substantial dividend will be paid for the current year. Should, of course, the new mill be kept constantly supplied—as it seems likely that it will—then the profits will be greatly increased, and the chairman's prediction in all probability be fulfilled. The mine seems to be opening up in a most promising manner, judging from the figures given by the chairman. It is hopeful to find that the lode increases both in width and value at depth, and as there are already 100,000 tons of reserves ready to be sent to the mill, which should keep the latter going for at least four years, the shares undoubtedly look a most attractive speculation. The chairman laments the price at which the shares stand, but that may be by reason of the depression in the market; so that, with a revival of general activity later on, they will in all probability improve. Moreover, when we read a speech of this kind, we should judge whether it would induce others to buy the shares for speculative purposes, and, as it would seem likely to, the demand would send the price up, and probably we could make an immediate profit. At any rate, a rise is far more probable than a fall, and, that being so, a purchase of them for speculative purposes

would not be attended with many risks, certainly not immediate risks. It is a company the career of which the speculator, and even the investor, may follow with great advantage. And that is one of the best methods of speculating successfully—to select a few of the most promising shares and to study them, so as to buy or sell the moment good or bad news is received.

BONSOR GOLD-MINING.

The third ordinary general meeting of the shareholders of the Bonsor Gold Mining Company, Limited, was held yesterday at the Cannon Street Hotel, E.C., under the presidency of Sir John C. Willoughby.

The Secretary (Mr. George R. Saunders) having read the notice convening the meeting,

The Chairman said: It is now my duty to lay before you a short statement of the company's affairs; but the last meeting having been held so recently, it will not be necessary for me to keep you very long. With regard to the accounts, the greater part of the amount of £78,442 under creditors is on account of a loan from Willoughby's Consolidated Company, the balance being also a loan guaranteed by the same company. The object of these loans was to provide for extensive mine-development, all necessary capital outlay, and the general expenses of maintenance for the period of the last two years, while the mill has been closed. I should point out to you that this amount includes £11,922, the price of stores now on hand, which will enable the mill to restart crushing without any delay, whenever the requisite labour-supply is assured. The repayment of the latter sum, and a further large proportion of the total liabilities—roughly speaking, some £40,000 in all—will be provided for by the usual charges made for stock and stores, mine-development, and redemption in the working costs, when the mine recommences working to a profit; so that more than half the present liabilities should be disposed of without in any way affecting the amount of the legitimate

profits to be received. As the result of our outlay on the mine, we now have ample reserves of ore ready for the mill, without taking into account quantities of ore brought into sight that can be very shortly added to the reserves on the resumption of crushing. In the meantime, Willoughby's Consolidated Company, our largest shareholder, being thoroughly satisfied as to the sterling merits of the Bonsor Mine, will continue its loan as long as is required, and will eventually be paid back the whole in cash, or partly in debentures, on terms to be arranged later on. With regard to the amount of £77,283 under investments, acting within their legal rights, and in accordance with the policy approved of and adopted at the last shareholders' meeting, your directors have decided to continue to take the North Bonsor shares held by this company at par—at least, until such time as the mine is able to again work to a profit. We estimate these shares to be fully worth par, and consider that the present quoted price is solely due to the past inactivity in the South African market, and not to any deterioration in the intrinsic value of the North Bonsor property. To avoid the possibility of any shareholder being misled in any way, the auditors have attached a note to the balance-sheet, which clearly explains the exact position. With regard to the amount of £13,337 under expenditure for the past year, while the mill has been closed, this includes all expenditure that cannot justly be charged to mining development nor to capital outlay. We propose writing this off over a period of from four to five years as soon as crushing recommences. You will observe that the interest on loans and provision for depreciation make up nearly half of the total amount to be written off.

I think that is all I need say about the accounts; but if any shareholder wishes to ask any question, I shall be very pleased to answer such to the best of my ability. With regard to the prospects of the mine to-day, though they are excellent, the position has been, and still is, most tantalizing. The mine ought to have recommenced crushing continuously more than twelve months ago, with a steady output, roughly speaking, of some £130,000 per annum, according to the present average value of the ore reserves. Instead of this, however, it has had to bear all the heavy cost of development for a period of

seventeen months up to November last, and that of maintenance and general expenditure for two years without getting any return from the mill to meet such expenditure. The gold is there safe enough, to all intents and purposes as if it were actually lodged in a bank on long deposit, and consequently for the moment unavailable for use. This aggravating condition of affairs, as you know, is solely due to the past want of sufficient labour. It may be suggested that, if other mines in Rhodesia are able to crush, why cannot the Bonsor do likewise? The answer to that is, in the first place, the Bonsor with its 50 stamps, the largest number as yet erected on any one mine in the country, requires a proportionately greater amount of ore to supply its battery, and that supply can only be maintained by keeping some 500 labourers continually at work underground; secondly, owing to the great length of the ore shute, and its comparatively narrow width—some 30 inches—the expenses of development are higher than they would be on a shute of twice the width and half the same length, consequently, with 10-dwt. ore, the present average value of the ore reserves, satisfactory profits under conditions now prevailing can only be expected if the full capacity of the 50 stamps be constantly utilized. However, 'it is a long lane that has no turning,' and there are good prospects now that our patience will not be taxed very much longer; for it is probable that a sufficient labour-supply will be assured in the course of the next month or two. The British South Africa Company have undertaken a scheme for the importation of Arab labour, and, by latest advices, the first lot of 1,000 will leave Aden in a few weeks' time, to be followed by others as fast as they can be collected. We are now in treaty to obtain the required number of labourers for the Bonsor out of the first lots to arrive. In the meantime, as we have been so often disappointed in all our previous efforts, I do not like to say too much just now; but I do believe a practical solution of the labour problem is really now in sight. Anyhow, I feel you will agree that this news is very important and most encouraging; for if we can obtain our full complement of labour within the next two months, the Bonsor Mine should be crushing once more within about three months from now.

As to the development of the mine, the total footage cut

for the year under review up to last November, when further development was considered unnecessary, amounted to 2,670 feet, bringing the grand total footage cut up to 12,513 feet. There are now between 65,000 and 70,000 tons of 10-dwt. ore developed, besides a large amount of ore of much higher grade brought into sight at the third, fourth, and fifth levels. The main shaft is down to 530 feet below the surface, and at this depth the reef is shown to have widened to 6 feet 4 inches, a section of which, 2 feet wide, carries 25 dwt. of gold to the ton. This strike at the fifth level is noteworthy, as evidence that the width and value of the reef are improving in depth, especially so as the main shaft is located in a section of the mine known to be poor. It should also be noted that, with the main shaft sunk to the fifth level, we are now in a position to attack the reef at many points, and so to rapidly increase the ore reserves as soon as the mill resumes work, and, with many more faces to operate on than formerly, development should be effected at a cheaper rate than hitherto. Concerning the cross-cut west at the third level, referred to in the consulting engineer's report, you will observe that it has now reached to within 40 feet of the point where it is expected that a secondary reef should be struck. That such a reef exists seems a practical certainty, in view of the strong line of parallel old workings on the surface. We attach the greatest importance to this particular work; for, if a second payable reef is proved, it should become a great factor in increasing the earning capacity, and, consequently, the present known value of the mine. This cross-cut will be continued as soon as work is resumed, and it should then only take a few weeks to satisfy our expectations on this point. As previously stated, all work has been stopped at the mine since last November, and the expenses kept down to within the lowest possible limits, pending the restarting of the mill. The cyanide plant is now nearly erected. This has been provided for under contract by Willoughby's Consolidated Company, as shown in the balance-sheet, and therefore at no cost to this company. The plant has a capacity for treating some 6,000 tons per month, and, according to the average assay value of tailings, is expected to return a profit of from 7s. to 8s. per ton —a very nice addition to that to be obtained from the mill.

With reference to this, I may tell you that, besides the actual ore reserves mentioned, there are some 23,000 tons of tailings on hand of an estimated assay value of about £14,000. Concerning the North Bonsor, I would refer you to my statement at the meeting of that company some few weeks ago, and I think it scarcely necessary now to recapitulate the remarks I then made. Energetic development will be shortly resumed as soon as the machinery now being erected is available for deeper sinking. The ore reserves amount to between 15,000 and 20,000 tons, of a free milling value of 12·5 dwt.; this is exclusive of a large amount of ore in sight of similar value, and it is expected that, with further development giving satisfactory results, the North Bonsor will soon have sufficient ore reserves ready for the supply of a 30-stamp mill of heavy design. In conclusion, I can only say that I wish, for all our sakes, that I could announce that the Bonsor was actually crushing to-day. It is, however, something to say that the end of the tedious period of waiting does now seem to be in sight, and I feel confident that the results from the mill when work is resumed will soon prove to your satisfaction that the Bonsor is one of the foremost mines in Rhodesia. I have now to move: 'That the directors' report, together with the annexed statement of the company's accounts as at December 31, 1900, be received and adopted.' (Applause.)

Mr. J. J. Hamilton seconded the motion, which was unanimously carried without discussion.

The Chairman moved the re-election of the retiring director (Mr. Hamilton), which was seconded by Mr. H. Wilson Fox and agreed to.

A vote of thanks to the chairman and directors closed the proceedings.

I have already shown why, at the moment of writing, Rhodesian shares have a promising speculative value, and as the Bonsor is a Rhodesian mine, we should try and judge, from the chairman's statement at the meeting, if it is likely to be one of the shares to profit from the revival of activity

that seems a certainty of the immediate future. The mine, it will be seen, has been closed down, owing to the scarcity of native labour, and it is now waiting for an adequate supply of labour before it can be restarted. In the meantime it has been getting into debt, we find, in order to keep it going, so that when it is reopened it will recommence with this additional burden to bear. Judging solely by the chairman's speech, we cannot form a very hopeful opinion of the company's prospects—at least, its immediate prospects. On the contrary, we are more likely to form a pessimistic opinion, especially as it may have to wait a longer time than other companies for its labour. It is true that the mine is developing promisingly, but the ore does not seem to be very rich, whilst the longer it remains idle the more it will be burdened with debt. Therefore, the mine does not look as if the Bonsor is so promising a speculative share as the Chicago-Gaika or other Rhodesian shares, and we may therefore leave the shares alone. But with its full complement of labour the mine may do wonders.

CHAPTER XVI

THE FINANCIAL PRESS

I HAVE attempted to show in the previous chapter under what great disadvantages the ordinary man labours to estimate the value of a mining share, whether he wishes to speculate in that share or invest in it. His first business should be, of course, to get information, to get as much as he can, and to make sure that it is authentic and reliable. But we find that the information that is given to him is, with a few exceptions, meagre, and much even of that is no information at all, but mere generality of statement. This scarcity of information, therefore, adds greatly to the precariousness and riskiness of mining speculation and investment, and the less experience one has the greater risk one runs. Experience, even if it were of no other value, undoubtedly gives us an intuition in these matters, and it is upon such intuition that we have in many cases to rely. But it doesn't follow that even such intuition is infallible. It may be deceived, especially in a mine, which lends itself to so many possibilities of deception, and

therefore, if experience and intuition can be deceived, so much the more easily may inexperience and ignorance be.

The extracts from the directors' reports which are published in the financial press are thus of no great help to the ordinary man, though, of course, it is far better that he should have them than nothing at all. They would be of more use to him still if they were published with their balance-sheets, but we cannot expect the press to fill up their pages with these alone. An ordinary newspaper, in that case, would be filled with nothing else but mining news, and as it must give other news as well, relating to other phases of finance, I don't see very well how the thing can be done. It could be done by enlargement, of course, but that enlargement would mean great additional expense, and possibly ruin. One remedy would be a daily mining paper, to be published exclusively in the interests of mining speculators and investors, and I don't see why such a paper could not be a great success. It needn't be a large one, and needn't be run at a great expense, whereas such a paper, if conducted with scrupulous honesty, would be a great help and boon to mining investors. I should certainly like to see a paper of that kind established.

We see also that the reports of meetings, whilst of greater help to him than directors' reports, do not, in the majority of cases, give him the full, clear and disinterested information that he needs. A chairman of an unsuccessful company will talk

at considerable length upon the success of other companies, and subtly leave the shareholders to conclude that that success will be shared by their company. They will attend a meeting to learn all they can about their company, and will be surprised to find, when the meeting is over, that though they have listened to a pleasing speech of half an hour or an hour's duration, they know no more about their own mine than before the chairman spoke. Some chairmen are very clever indeed, for by the mere force of manner and phrase they can raise the hopes of the most despondent shareholders, put a roseate complexion upon the dismalest prospects, reconcile the shareholders to failure after failure, and encourage them to look forward to brilliant success and prosperity. There are dozens of companies at this very day which have been in existence for fifteen and twenty years, which have never yet paid a dividend, and which are never likely to, which have been reconstructed time after time, and yet the chairmen still hold out to the shareholders the same hopes as they did in the early days of the companies, still talk about getting 'the company off the rocks into smooth waters, and then sailing calmly to the port of success,' when they know that the companies were doomed years ago. But to wind up the companies would be to wind up their fees as directors, and that would be suicidal so long as they can persuade the shareholders to keep putting more money into the concerns. These, of course, are pure swindles, and yet the shareholders cannot see it. And if the

shareholders cannot, still less is the stranger likely to, the man who knows nothing of their past, and judges of their present only from these annual speeches of the chairmen. An ordinary man may, therefore, read these speeches and be so charmed by them, may so exaggerate the prospects of the companies as foreshadowed by the chairmen, that he would buy the shares thinking they would be good bargains.

The ordinary, ignorant, inexperienced man, therefore—and even the shareholder himself—has to rely to a very great extent upon the advice he gets from others, and that very advice may frequently lead him to his ruin. And he relies upon the advice of the financial press more than upon the advice of friend or broker, because he puts great faith in the press, editors being to him the embodiments of knowledge, honesty, and uprightness. But we know that the financial press is tainted through and through with dishonesty, that there is nothing more dishonourable and unscrupulous under the sun. Therefore, he flies from one rogue to a greater, from one thief to another. That there are honourable exceptions I admit; but in his ignorance he cannot distinguish between them, and by the time he has distinguished he may be ruined. There are dozens of so-called newspapers that exist upon nothing else but blackmail, there are others that never express one word of opinion unless they are paid for it, there are others that will praise up any company, any swindle, for a £5 note. They have no reputation

to lose, and therefore it is all gain to them. But the ordinary man does not know whether the advice is genuine or not. He often believes in it and acts upon it, and yet, though he may be deceived, he will again act upon the advice of that same paper. I know how it is done, because I have been behind the scenes, and it isn't as though I was speaking from hearsay. Secretaries are in the habit of calling upon the editors of these papers, or editors are in the habit of calling upon the secretaries. In the first place the secretary suggests that an editorial should be written upon his company, for which, of course, he offers to pay the usual fee, or a call upon the shares; and in the second place the editor tells the secretary that he intends to write a laudatory article upon his company, and would the secretary pay, etc. In some cases the secretary will refuse point-blank. He doesn't care a fig for the editor or his rag, and tells him that his company is good enough to stand on its own merits, and that such a paper couldn't do it an atom of harm or good. Very well, the editor will go back and write a slashing article upon that company. He will have his revenge upon that secretary, will bring him to his knees, and make him think twice the next time he is approached in a friendly manner. But the secretary only smiles. If the shareholders are fools enough to believe the 'rag,' then they must take the consequences. If they sell their shares, then it will be all the better for those who buy them. The mine will go on just the same, and the secretary and directors are

sure of their salary and fees. It will survive the article, and the only loser in the end will be the rogue of an editor; for though he will not have lost a reputation he didn't possess, he will have spent his energy in vain, and will have paid the compositor's fee for the article that he wrote, when he might have filled up the space with a puffing article that would have paid him better.

It is, as we know, the habit of promoters, when they bring out new companies, to go round to the editors of financial papers and ask them to speak a good word for their companies. There are many financial papers which are only too ready and willing to do this. And promoters are more likely to make these offers when the companies are worthless than when they are valuable, for the latter will carry their own recommendation. And promoters are blackmailed into giving prospectus advertisements to these disreputable rags, for if they refuse they must expect to see the prospectuses adversely criticised, and free copies of them sent broadcast to mining shareholders. This is more especially the case at the time of a boom. We know that at such times dozens of new papers make their appearance merely that they might get all the prospectus advertisements they can, and intend to exist only as long as the boom lasts. I solemnly warn speculators and investors to have nothing to do with papers of this kind. They are started by rogues and vagabonds, thieves and blackmailers, the very scum of the city of London, whilst others are run by promoters themselves in the interests of their

own wares, others by bucket-shop-keepers, and others by bankrupt advertising agents. If they do buy them, and are influenced by what they read in them, they will pay the penalty, and the penalty will be no light one. Those who read my warning, and do not act upon it, will only have their own folly to blame. As soon as the war is over these rags will appear by the dozen, and therefore they should be prepared to resist their blandishments, or else they will succumb to them at their peril.

But, as I have said in a previous chapter, all editors, even of the most reputable papers, have to face the most alluring temptations, and many are unable to resist them. How, therefore, is the ordinary man to know which editor has fallen and which has not ? In the most influential paper he may read a laudatory article upon some mining company, and yet that article may have been written for a price, just as any puffing paragraph in a Sunday newspaper. Should time prove that editor's opinion to be false, then, of course, it will be only his judgment that was at fault, and not his morals. Therefore, in the first place, we've got to risk his competence to express an opinion and to guide us, and in the second place we've got to risk his morality. The ordinary man, we have seen, cannot do without the press. He has to rely upon the press for his information, and also for advice, when he can get it, and then he has to risk whether that advice is disinterested or not.

Therefore the honesty of the financial press is an essential to successful speculation and investment.

It cannot guarantee success, of course, because it cannot do miracles. But its experience and knowledge can be of invaluable help to the inexperienced and ignorant. The experience and the knowledge may not be lacking in some cases, but if it be used in the service of unscrupulous promoters and others, if it can be bought by rogues and thieves, then it is harmful to those who place their faith in it. On the other hand, we may have the honesty but not the experience and knowledge. Which is the more harmful of the two is a matter of opinion. We must, therefore, search for the honest paper, and hope that our search will be successful.

CHAPTER XVII

CONCLUSION TO PART I

In the preceding chapters I have endeavoured, as far as I have been able, to give what I consider to be some sound advice to novices in mining speculation and investment. It is for that particular class of people that the book has been written ; the other class, the professionals, those who have studied speculation in all its phases, and who have the advantage of a long experience, may not find the book deeply instructive, nor find within its pages anything that is new to them. But the most experienced speculator runs his risks, and the most experienced have frequently been ruined. Speculators on the Stock Exchange are men fighting against themselves, their success depending upon the advantages they can score one over the other. The contest is a deadly one, and it is not conducted with too scrupulous a regard for honour. There is little or no mercy shown, little or no quarter, neither is there such a thing as an armistice, except upon compulsion. The combatants may be most exemplary husbands and fathers, but

such exemplary conduct, such consideration and thoughtfulness for others, would not do in a contest of this kind. There must be incessant watchfulness, no offguardedness, for the alert contestant may thereby gain a formidable advantage. It is a duel for life, and one mistake, one weary action, a momentary abandonment to lassitude, may mean death. 'All is fair in love and war' is a well-known saying. This is more truly the motto of speculation, where any act of roguery and meanness is looked upon as legitimate strategy, where every advantage that subtlety can suggest and hypocrisy secure is fair tactics. Therefore those who enter into such a contest may have a hardihood that is admirable, but which of itself cannot insure success. Hardihood alone is defenceless against consummate skill, especially when a blow beneath the belt, which he would least expect, is not considered dishonourable.

There is no code of honour drawn up which the contestants are bound to obey. Any weapon, so long as it be a formidable and deadly one, and can be handled with skill, is permissible. Novices enter into the contest with the weakest of weapons, only to find themselves immediately disarmed and defenceless. It is no inspiring battle to watch, any more than it is inspiring to watch a tiger fight. It is a feud in which human nature displays all its animal instincts, where ferociousness is the predominant passion. It is a fight, however, to which there will be no termination—a fight which we must ever suffer in our midst; and, moreover, it is a fight that is

fascinating to many, and is a temptation thousands are powerless to resist. The many enter it filled with hope, but they return from it, most of them, crushed with despair. To those who are resolved to enter into it, who *will* try their luck, I have offered a few words of counsel, and I hope they will not be offered in vain. Doubtless there is other advice, in the shape of 'tips,' which others could give which may be beyond my competence or may have escaped my memory. At any rate, I feel sure that what I have counselled will not be unprofitable to many. But I have a few parting words to say yet, both in this chapter and in the second part of this book.

We have heard a great deal of the one-man company, and there is little doubt that the one-man company is a snare, in which whoever is entrapped is entrapped to his destruction. In all my experience I can recall no such company that has come to anything but grief, whilst nearly every such man, who has made the company merely the means to self-enrichment, and who could only do so by literally robbing others, has been one of the most unscrupulous scoundrels unimprisoned. It is astounding what little feeling or mercy these thieves have for their numerous victims. In their veins there seems to flow as much human blood as in a statue. Why these things are permitted by the law passes my comprehension. It is fraud in one of its worst and vilest aspects, and as long as these robbers go unpunished it only encourages them to persist in their practices, and others to imitate

their examples. Their brazen effrontery, too, is as awe-inspiring, as impressive a sight, as gazing into some dark and unwholesome pit, where no light reveals to us where its depths may end. A failure, an exposure, even public execration, is no deterrent to them. They have never been known to blush. They float their companies with a million of capital, and not a single shareholder, not a director even, knows what these men will do with it. Of course, they will put the greater portion into their own pockets. That goes without saying. They wouldn't trouble to float a company for philanthropic purposes, or to give the money back to those who subscribe it. They will pretend to buy a property or two, a piece of land in some country where gold has been found, and they will sell this land again to another company, which they will float and control. For instance, they will give a few hundred pounds for a slice of a wilderness somewhere, and then they will form another company to which they will sell this land for some hundreds of thousands of pounds, thus making an enormous profit out of it. But the shareholders do not share in any way in this profit. It is gambled away in one thing and another, and vanishes like mist in the sun.

This is no exaggerated picture. It has happened many times, and will happen again as long as there is a single fool willing to give to these men his trust and his money. They walk in our midst, as though they were virtue incarnate. They may be seen in the best society. They will be

seen yachting in the Mediterranean or running their horses in the St. Leger, enjoying themselves on the proceeds of their robberies, caring not how many they have plunged in poverty nor how many they have ruined. It is a disgrace to civilization. But how impotent that phrase sounds when we may witness so many disgraces to civilization, so many disgraces to humanity! I solemnly warn everyone who reads this book to be cajoled no longer by such scoundrels as these, to have nothing to do with one-man companies. Let them take a lesson from experience. There may, of course, arise such a phenomenon one day as an honest man who will place himself in such a position, who will float companies and nominate figure-heads of directors whom he will rule by his iron will. But when the phenomenon appears we are not likely to recognise it until we have become thoroughly accustomed to its original features. It would be wise of us, therefore, not to count upon such a miracle as this. We may mistake other signs and portents whilst we are watching, and they may be but the old signs in a new guise. Therefore, if we put our trust in anything at all, let us put it in multiple-man companies. Even here there may be snares enough to keep us fully alert, but they are, at least, more easily discoverable. There is, at any rate, the chance of finding one honest and honourable man amongst them. We do not trust ourselves solely to an unmitigated scoundrel, to one who will gamble away our money recklessly, and keep all the gains himself. Moreover, there is

more likely to be wisdom in the counsel of many than in the brain of one who has a genius solely for fraud and swindling, who may have an iron will, but whose will is never directed to other than base purposes.

Even speculation in the shares of such a company is attended with more than ordinary risk. We may place great faith in the ability of such a man to manipulate the price as he pleases, but we can never tell the moment when he will forfeit that faith. No one knows but himself what wild scheme he may be formulating, which may suddenly plunge the company and the shareholders into disaster. One day he may succeed, by some clever manœuvre, to send the shares to a premium; a few days later they may be quoted at only a few shillings. He may dream of a scheme for taking advantage of men who are cleverer than himself, for these men know not their own limitations, but have the profoundest confidence in their skill and cleverness. Even if they were disposed to act honourably, it will be seen that they often fail in ability. They greatly overrate themselves, and this overconfidence discards the prudence and the caution essential to all success. The speculative value of shares in such companies cannot be estimated. They must be guessed at; they are dependent not so much upon solid assets as upon the questionable ability, though not the questionable unscrupulousness, of one man. Therefore, I repeat, such shares should be avoided both by the investor and speculator.

Now, it does not occur to a great number of investors and speculators that the shares of mining companies are not always quoted in accordance with their intrinsic merits, but often they are quoted far above them and often far below. In the first place, it is hardly possible, except in a few rare cases, to know what those merits are at any given moment. The prices are made by the jobbers on the Stock Exchange, and are ruled, for the most part, just as most other commodities are, by the supply and demand. If there is a great demand for any special share, merely from a spontaneous whim on the part of the public, such a demand would naturally compel the jobbers to put up the price, especially if at the same time the supply was limited. At the present time, owing to the depression in the mining market and the absence of demand, the prices of shares are low, but to-morrow, for some pretext or other, there may be such a demand that those prices would appreciate considerably. A certain share may be intrinsically a very valuable one. The mine may be developing most promisingly, but for some reason or other it attracts no attention. Accordingly, jobbers offer the shares at low prices, just as we would offer our stock if there was no demand for it. On the other hand, the shares may stand at a high premium, and speculators will sell in order to take their profits. The market, therefore, is surfeited with them, and as the supply greatly exceeds the demand, the price goes down in accordance with the natural economical law. Therefore,

it does not follow that because a share is quoted beneath what we consider its intrinsic merits it is not good enough for speculative purposes. On the contrary, such a share is one of the best for such a purpose, for it is bound to attract attention sooner or later, and when it does it often creates so great a demand that the price rises far beyond its true value. It is for such shares as these that the speculator should search, and not be attracted to others because they are at a high price and seem to be public favourites. Great mistakes are committed by speculators of this stamp. They think they will be safe in speculating solely in the favourites, instead of looking for a share that is bound eventually to become a favourite. Otherwise they run the risk of buying at top prices and of seeing a downfall immediately afterwards. This is certainly not the surest road to successful speculation.

I should also like to say a word about company wreckers. There are scores of these pests in our midst, their business in life being to select certain companies which have not met with success, to buy five or ten shares in them, and then to commence an agitation to get rid of the directors, in order that they might be elected in their places. They pose, of course, as the friends of the shareholders, and as most of them wield a vigorous pen, and have at their command the most persuasive eloquence, they very frequently attain their interested objects. The shareholders rally round them, and the directors fight them, often in vain. Their method

invariably is to insist upon committees of investigation, on which they will be sure to be appointed, and from that to a seat on the board is an easy step. The directors may have been incompetent, but they may, at least, have been honest. Now the shareholders have removed them for the dishonest, for men whose sole objects are to feather their own nests, and hence the change is not one for the better.

To sum up briefly what I have said, I think I have shown fairly conclusively that, in spite of the many risks that are attached to mining—to Nature herself in her erratic depositions, and to man in his still more unreliable dispositions—we can conduct our investments and speculations upon a system, the success of which must be dependent upon our individual ability. We should select a certain group of shares, according to the capital we have at our disposal, and make a study of them. Whether we buy for investment or speculation, we should never buy at top prices, the best time for the former being when the market is weak and prices are low. Search for the best, and leave the bad alone. Let the speculator be content with small profits, and not hold on too long. The best may fall, but they are not liable to such serious fluctuations as the worst. They fall only to rise again. Their intrinsic merits are quite sufficient to prevent disaster.

PART II

CHAPTER XVIII

RAND MINING

DEALING separately with each section of the mining market, the South African is incomparably the most attractive both to the speculator and the investor. In the South African I include the Rand and Rhodesia, and of the two the former is by far and away the superior. One can invest in a leading Rand mine with as much safety as and certainly with more profit than in many industrial ventures, whilst as speculations I consider them far more attractive, than American Rails, especially after our bitter experiences of late, which do not augur promisingly for the future. Rand mining has now settled down into a solid, permanent, safe industry, and as soon as the war is over and the country is hereafter blest with good government, it will inaugurate for the industry an era more brilliant than it has yet enjoyed. In the early days there was a great deal of dishonesty connected with it But this is an inevitable experience of the early days of all new gold-fields and therefore the Rand is not to be singled out as exceptional in that

respect. There may even now be not a little dishonesty connected with it here and there; but there is less temptation to resort to it, and less scope for it than in any other gold-field in the world. At any rate, even with dishonesty, we have been spared those scandals which have disgraced West Australian mining, and the leading companies have managed to pay regular and enormous dividends. Here Nature is not so erratic as she is elsewhere. Here we come upon her in one of her most settled moods, and though now and then she disappoints our faith in her, it is but seldom, and she often makes up for it in other ways. The formation in which the gold occurs—which is known as the banket formation—is wonderfully regular and uniform, so regular, indeed, that we can in the majority of cases estimate with great nicety the lives of the mines, an advantage we should seek in vain elsewhere.

It is because gold formations are, for the most part, so erratic and unreliable that gold-mining is so speculative and risky. We cannot estimate, with anything approaching accuracy, the life of the average mine, and therefore we have to depend a great deal upon guesswork. Rand mining, therefore, is unique in this respect—an inestimable exception — and hence this, of itself, greatly minimizes the risks that we run. We can calculate the minimum life of the majority of the mines, and the minimum profits they are likely to earn during their existence. On the Rand, too, the science of mining and of metallurgy has been carried nearer

to perfection than in any gold-field elsewhere. Here may be seen the most modern machinery, and here, too, we find the most eminent engineers. The mines are not managed as in most other gold-fields—by inexperienced men, by those who know nothing either of the theory or practice of mining. The best men are put in the positions for which they are fitted, and the result has been a measure of success of which no other gold-field can boast. There is plenty of room for improvement yet. Science has not come to a dead stop on the assumption that it has conquered everything. But we may feel sure that the Rand will be the first to benefit from any scientific invention, and therefore the progress of science will mean the greater prosperity of the Rand. Here we have a gold-field where the ore is of low yield—the average being only 8 to 10 dwt. to the ton—and yet it has attained to a success with which no other gold-field, where ore going several ounces to the ton is common, can compare. And it is only yet in its infancy. It will continue to produce gold in great quantities generations hence, and therefore the wideawake speculator and investor should seek their opportunities here before they seek them elsewhere.

The famous Witwatersrand Gold-field was discovered some thirteen years ago, in 1887, although prior to that prospectors had found gold in outside districts, of which we hear very little in these days, but which may possibly come forward more prominently in the future. In the first year of its

discovery it turned out 23,125 oz. of gold, of a value of £81,022, and since then the output has been :

	Tons Milled.	Gold Extracted.	Dividends.
1888 . . .	—	208,121 oz.	—
1889 . . .	—	369,557 ,,	—
1890 . . .	—	494,817 ,,	—
1891 . . .	—	729,268 ,,	—
1892 . . .	—	1,210,869 ,,	£811,864
1893 . . .	1,217,792	1,478,477 ,,	£1,100,203
1894 . . .	2,674,673	2,024,164 ,,	£1,540,394
1895 . . .	3,456,575	2,277,640 ,,	£2,198,943
1896 . . .	4,011,697	2,280,892 ,,	£1,638,881
1897 . . .	5,325,355	3,034,678 ,,	£2,707,180
1898 . . .	7,331,446	4,295,609 ,,	£4,847,505
1899 . . .	—	4,069,166 ,,	—
1900 (3 months)	—	251,891 ,,	—

The above table will show how rapidly and greatly the output has grown since the field was discovered, and it gives us some idea of the progress we may expect in the future, especially when all the deep levels are in full work, and when some of the lower-grade mines are opened up. In a few years' time we shall see an annual production totalling £20,000,000, and eventually £25,000,000, and even the latter figure may be increased before the field is exhausted. And this from a low-grade field is marvellous.

The wonderful success attained by the Rand is due in a principal measure to the cyanide process, a process that has revolutionized gold-mining all over the world. In the early days only the richest

ore was worked, and the poorer was thrown away, whilst the tailings, which are now the main source of profit, were regarded as valueless. But the cyanide process proved that the tailings could be treated profitably, so that instead of only 60 or 70 per cent. of the gold being extracted from the ore, 90 per cent. and over is now extracted, whilst in the future we shall probably see even more successful extraction than this, which will mean, of course, the earning of bigger profits. The profits will also be increased by greater improvement in ore-sorting, which was being extended rapidly before the outbreak of the war, and which in the future will be practised in nearly every mine. The Witwatersrand reefs, besides being low in yield, are for the most part very thin, averaging something like 12 to 24 inches thick. This necessitates, in order to get a good stoping width, the blasting down of a considerable portion of valueless country rock, which is sent to the mill. This, of course, greatly reduces the yield per ton, and makes the reef appear poorer than it really is, and it might even make a fairly rich mine unpayable. Therefore it is essential that when the ore is sent to the surface some system should be devised whereby this waste rock should be sorted out from the valuable ore before the latter is sent to the mill. All kinds of machinery have been invented to help in this work, and it looks as if the problem has at last been solved. At many mines there have been erected large revolving tables and belts, over which the rock slowly revolves, whilst streams of water

play upon it to show to the sorters which is waste rock and which is reef. Where this system has been introduced we have found the yields to be greater and the profits to increase in proportion. But there are undoubtedly some managers who are opposed to it, for they say that it increases the working expenses, and there is a competition between them to reduce these to the lowest possible point. It seems as if this prejudice will be overcome, however, and if so shareholders will benefit greatly. Perhaps it would be as well for shareholders to interest themselves in this question, and insist upon improvements in ore-sorting being adopted, and I throw out the suggestion as one worthy of consideration.

Until within a few months ago mining operations ceased on the Rand as far as English shareholders were concerned, but permission has recently been given to a few mines to restart operations. For eighteen months, therefore, the public have taken little or no interest in the Kaffir market, and this was comprehensible. In the first place, no one could tell what damage the Boers might do to the mines during the war, and though they could not injure them permanently, they could do an incalculable amount of harm, and might delay profitable work for years to come. But, luckily, the damage done has been very slight, and will be easily repaired, so that within only a few weeks of restarting these mines have already given returns. The great Robinson mine was one of the first to be granted permission to resume work, and at the

latter end of July the first monthly report was issued. There is no doubt that gradually permission will be given to other mines to restart, even before the war is finished, and that being so, I cannot understand why the public still keep aloof from this market. That it is unwise of them I have no hesitation in saying. Prices are now as low as they are ever likely to be, and hence a unique opportunity is presented which may never again be offered to the investor. Caution is undoubtedly commendable in mining investment, but it is certainly being carried too far at this moment. It is incomprehensible to me why the investor cannot see it. He knows the worst. He knows that the mines are but slightly damaged, and that in a few months' time the industry will be in full swing. He is waiting for the end of the war, or he is told that he is waiting for the end of the war, and the result is that he will wait too long. The foolish fellow is waiting until everybody buys—until he can hang on at the outskirts of a crowd and get what he can. If one thing is certain in this life, it is that the prices of all the good Rand mining shares will appreciate considerably in the immediate future. Is he waiting until they do appreciate before he buys? It certainly looks like it. The ordinary investor seems very fond of buying at top prices, notwithstanding that it is an act of folly. And this is what we shall surely witness later on.

The speculator, too, is missing his opportunity. If he buys now (that is, at the end of August),

he will be able to sell at enormous profits later on. But he is afraid because others are not doing it. He seems anxious first of all to see his competitors multiply, and then he will rush eagerly in to take his share of the spoils. But he will find little left for him. He will have already lost the supreme chance of his life. I don't say that no opportunity will present itself for successful speculation in the future. There will be many such opportunities; but there will be none like the present, for, as I say, prices are not likely to go so low again.

It is evident, however, that, though there are many waiting to buy, there are few disposed to sell. And this is prudence. It shows, at any rate, that holders are conscious of the great prospective values of their holdings, whether they intend to retain them to sell again at higher prices, or merely to hold them for the dividends they will receive upon them. Personally, I would adopt the latter policy, for the shares may be held for many years, and good dividends be received upon them, and then they may be sold at a handsome profit, in all probability. That would not be the case, of course, with short-lived mines. That must depend upon the price at which they were bought, and how long they had already been held. With those mines, however, which have a long life before them, and especially the deep levels, the case is different. At any rate, this is not the time for selling, but the time for buying only, and those who neglect their opportunities will undoubtedly repent it.

Do they fear that there will be a difficulty in getting native labour? This is a fear which may be greatly exaggerated. We may not be able to get the native the very moment we want him, but under the new régime the labour problem is likely to be easier of solution than in the past. Moreover, also, the labour will be more efficient. The native labourer will not have his old facilities for getting drunk. In the future he will have to be a sober man, and therefore he will be a more reliable and efficient workman. All this must be taken into calculation by the investor and speculator. It would be unwise of either to ignore it. This will conduce to greater economy of working, and more economy means higher profits and dividends.

Is the investor and speculator afraid of the taxation that will be imposed upon the mines? A great deal has been made of this, far too much. If companies can pay 100 per cent. dividends under a hostile Government, when working costs were much higher than they are likely to be in the future, they can afford to pay a reasonable tax. We must not forget that they will benefit from the war more than anybody or anything, and it is only just that they should bear their proportion of the burden. They should not take all and give none. It would be no calamity if those companies that hitherto paid 100 per cent. dividends in the past paid only 95 per cent. in the future. It would simply mean that we should have to give a little less for the shares. The output of gold would be exactly the same and the economy of the world

would not suffer in consequence. The British taxpayer has been burdened sufficiently, and he will have to wait long before he gets his compensation, whilst the Rand mining industry will benefit in a score of ways, and if the score is reduced to nineteen it will bring upon it no irremediable harm.

Sir David Barbour has recommended a tax of 10 per cent. upon the net profits. In some parts of the British Empire the tax is 10 per cent. upon the gross output, so that the Rand, a vastly more prosperous field, will be better off than they. The tax to be imposed by the late Transvaal Government was 5 per cent. upon the profits. The mines ought in the future to gain the equivalent of 15 per cent. under the British Government by means of the many ways in which they will be able to economize, and out of this they will be able to afford 10 per cent.—or really 5 per cent., deducting the tax they would have had to pay to the Transvaal Government—leaving a net gain to them of at least 10 per cent. If they grumble at this, then they would grumble even if the Government granted them a subsidy, and their selfish complaints should be ignored.

But this is not anything like so sanguine an estimate as that of Mr. John Hays Hammond. In his report to the Consolidated Gold-fields of South Africa, written a few days after the outbreak of the war, he said: 'The amelioration of conditions consequent upon good government will most materially enhance the value of the properties of the Witwaters-

rand. Not only will there be a direct saving per ton of ore treated, but the tonnage of payable ore will be thereby considerably increased. The mining economies directly effected will be in connection with the cheapening of costs of labour and of mining supplies, chiefly dynamite, the suppression of the traffic in stolen amalgam and gold now being extensively carried on. The labour question has been of the greatest importance in this district. The inadequate supply of native labour has necessitated the undue use of machine-drills in mining, resulting in the breaking of a large proportion of barren ground, and in the creation of an excessive percentage of waste in the ore, which has in turn caused a diminution of its value. Also the illicit traffic in liquor has been a costly item to the mining companies, and has been the cause, as well, of numerous mining accidents. . . . I would regard the sum of 6s. per ton as a conservative estimate of the direct and indirect benefits of good government. This saving would be equivalent to an enhanced profit per claim of from £7,500 to £12,000, and would result in an increase of annual dividends by £4,826,535, based on last year's tonnage of ore crushed.' If this is a conservative estimate, as he says, there should be a saving of something like 20 to 30 per cent., and surely to goodness the mines will not be ruined if this is brought down to 10 or 20 per cent.

A fact of very great importance to the investor and speculator is that the leading Rand mines are controlled by a number of financial houses of

substantial standing. This is undoubtedly a great safeguard, for they may certainly be depended upon to look after their own interests. This control is sufficient of itself to give strength and stability to the market even in the most depressed times, and it is the absence of such support in the other markets that is often responsible for their frequent collapses. It would not be a bad method of speculation to confine one's self to one group, and to follow that group through all its fortunes. These groups, of course, are given to bulling and bearing, but we might bull and bear with them. We might buy when they buy and sell when they sell. But in the future these opportunities of bulling and bearing will not be so frequent as of yore. We know the careers of most of the mines, we know their potentialities and their probable lives; we can study them, therefore. If investors and speculators are wide awake these firms will bear to their cost. If they depress prices in order to pick them up cheaply, it will give the wide-awake investor an opportunity of which he should not fail to take advantage. These firms do not take up worthless properties. It would not be worth their while to do so. Therefore, if disquieting rumours should be circulated respecting the sudden collapse of a mine, we can judge whether it is merely a bear rumour or the truth. But Rand mines are not the mines to collapse suddenly. There may be an isolated instance here and there, but we must go by the general experience. We are not likely to experience in this field what we

have experienced in Western Australia. Therefore we shall the less likely be caught in the snares of the bull and the bear. They will be more easy of detection.

I give below the principal Rand companies and the groups which control them, which knowledge may be of great assistance to the investor and speculator :

MESSRS. WERNHER BEIT AND CO. AND MESSRS. H. ECKSTEIN AND CO.

Bonanza, City Deep, Crown Reef, Crown Deep, Ferreira, Ferreira Deep, French Rand, Geldenhuis Estate, Geldenhuis Deep, Glynn's Lydenburg, Jumpers, Jumpers Deep, Langlaagte Deep, Modderfontein Extension, Nourse Deep, Paarl Central, Rand Mines, Robinson Central Deep, Robinson Rose Deep, South Nourse Deep, South Wolhuter, Transvaal Consolidated, Land and Exploration, Village Deep, West Roodepoort Deep, Windsor, Witwatersrand Deep, Wolhuter Deep.

THE CONSOLIDATED GOLD-FIELDS OF SOUTH AFRICA.

Central Nigel Deep, Chimes Exploration, Jupiter, Knight's Deep, Nigel Deep, Rand Victoria, Robinson Deep, Simmer and Jack, Ditto East, Ditto West, South Geldenhuis Deep, South Rose Deep, Sub-Nigel, and Worcester Exploration.

MR. J. B. ROBINSON.

Block A Randfontein, Block B, Langlaagte Estate, Langlaagte Star, North Randfontein, Porges Randfontein, Randfontein Estates, Robinson Randfontein, and Robinson South African Banking.

MESSRS. BARNATO BROTHERS.

Balmoral Main Reef, Barnato Consols, Buffelsdoorn 'A,' Buffelsdoorn Estate, Ginsberg, Glencairn Main Reef, Johannesburg Consolidated, Johannesburg Estate, New Primrose, Rietfontein Estate, New Spes Bona, New Unified, Rietfontein 'A,' and New Crœsus.

MESSRS. S. NEWMANN AND CO.

Bantjes, Consolidated Main Reef, Henry Nourse, Knight's Central, Modderfontein, Modderfontein Extension, Treasury, Vogelstruis, Witwatersrand Deep, and Wolhuter.

GEORGE AND SYDNEY S. FARRAR.

Agnes Munroe, Angelo, Anglo-French Exploration, Apex, Chimes West, Cinderella, Driefontein, East Rand, Kleinfontein Central, New Blue Sky, New Comet, and New Kleinfontein.

A. GOERZ AND CO., LIMITED.

A. Goerz and Co., City and Suburban Deep, Consolidated Deep Levels, Lancaster, Lancaster West, Princess Estate, Roodepoort Central Deep, Roodepoort Main Reef, and York.

GEORGE AND LEOPOLD ALBU (GENERAL MINING AND FINANCE CORPORATION).

Aurora West United, Cinderella Deep, Meyer and Charlton, New Goch, New Steyn Estate, Van Ryn, and Violet.

FREEMAN COHEN'S CONSOLIDATED, LIMITED.

Bantjes Deep, Geldenhuis Main Reef, South Randfontein Deep, and Village Deep.

NATAL GROUP.

City and Suburban, Durban Roodepoort, New Heriot, Nigel, Salisbury, and Stanhope.

CHAPTER XIX

OUTCROPS AND DEEP LEVELS

In this chapter I purpose to give a brief account of the positions of a few of the leading outcrop mines as they stood before the outbreak of the war, with the dividends they have paid during recent years, the highest and lowest prices of the shares for some years past, and the prices at which I consider they may be bought with comparative safety, the price allowing for redemption of capital. I shall not include many doubtful shares, but take the very best of their kind, shares which can be unhesitatingly recommended both to the investor and the speculator. Of course, I shall assume in every case that the old dividends will be resumed as soon as normal conditions are restored, whilst the greater likelihood is that the dividends will be much increased in the majority of the mines, with a probable prolongation of the lives of them. As regards their lives, we must take the official estimates, the only estimates on which we can rely. I shall calculate the price of the share on a dividend of 8 per cent., which I think should

be the minimum return even of a Rand outcrop.

Angelo Gold-Mines.—This company is a subsidiary of the famous East Rand Proprietary Company, and was formed in 1895. The property consists of 162 claims, 87½ of which contain the North Reef, and 60½ the South Reef. The mine commenced to mill in 1897, and so far the South Reef only has been worked. The company has a mill of 110 stamps. During 1898 95,074 tons were crushed for 45,089 oz. of gold, giving an average of 8·33 dwt. to the ton ; 75,278 tons of tailings were treated for 26,191 oz. of fine gold, an average of 6·96 dwt. of fine gold per ton, and since then, until the beginning of the war, continuous crushing has been in progress, with the most excellent results. The company has paid two dividends, each of 25 per cent.—in April, 1898, and March, 1899. A reconstruction scheme is under consideration for extending the area of the property by taking in dip ground. The company proposes to acquire 136 claims from the East Rand Company, whilst increasing the mill to 220 stamps. The capital would then be increased to £625,000, and the official life would be estimated at about seventeen years. I consider the shares a good purchase at £6 10s. It seems likely that the company will pay 80 to 100 per cent. dividends in the future, and probably higher.

Apex.—This has long been one of the favourite shares in the South African list. The property extends over some 7,560 acres, lying south-east of

the East Rand area. Boreholes have been sunk and have tested the existence of the reef over the greater part of this area, but the ore has been of low grade. Coal-measures have also been struck, and the seams have been worked at a profit. There have also been planted one million trees on the property, and the company owns one-third interest in 183 claims on Benoni. In 1889 the shares reached $8\frac{3}{4}$, the lowest being 3. Last year the highest was $7\frac{3}{8}$, and the lowest $3\frac{1}{4}$. No official life of the property is given.

BLOCK B.—The property of this company comprises some 145 Main Reef claims, and the authorized capital is £632,500 divided into 82,500 preference shares of £1 each, and 550,000 ordinary shares of £1 each, all of which have been issued. Crushing commenced in 1891, and both the South Reef and the Main Reef have been worked. The dividends, 8 per cent. cumulative, have always been paid on the preference shares, whilst the ordinary received $7\frac{1}{2}$ per cent. in December, 1889. In 1895 the shares reached a price of $3\frac{3}{16}$; but of recent years they have been only a little over par. They are at present at a discount, and are a safe purchase at that or at par.

CITY AND SUBURBAN.—The shares of this company are £4. This is one of the most prosperous of the outcrop mines. The company has paid regular dividends since 1888, though of late years the distributions have been very small. The reef-bearing area is reckoned at about 155 claims. The bulk of the non-mineralized area is freehold ground,

and is portioned out as town stands, and this brings in a profit of about £5,000 a year. Therefore the growth of the population will increase the value of this asset. The life of the mine is estimated at nineteen or twenty years. The share has never been higher than 8, which was reached in 1895, and it has been as low as $2\frac{3}{4}$, in 1897. At £6 the shares should be a safe purchase.

Comet (New).—This company, like the Angelo, is also a subsidiary of the East Rand Proprietary Company. It paid its first dividend of $12\frac{1}{2}$ per cent. in March of last year. A project is also under consideration for extending the area of this property by taking in dip ground. The capital will then be raised to £450,000, and the extent of the property will be increased to 182 claims. The battery will at the same time be brought up to 150 stamps. The life of the property is estimated at from eighteen to twenty years. In the year 1895 the price of the shares reached $4\frac{3}{4}$, but since then they have stood several times at a discount. The highest price last year was $3\frac{3}{8}$, and the lowest $1\frac{3}{4}$. They might be bought with safety at £3.

Crown Reef.—This company has been one of the high dividend payers, distributions having been made regularly since the year 1888. In the year 1898 a dividend of 240 per cent. was paid, and 140 per cent. in 1899, up to October. The property consists of about 120 claims and surface rights. But its life is likely to be but a short one, being estimated at five and a half years. During that period dividends of 240 per cent. are likely to be

paid. The company also owns 51 deep-level claims, held by bezitrecht, and 42½ bewaarplaatsen claims. In 1899 the price of the shares was at one time £20, but they also went as low as 13¾. The shares are worth intrinsically about £16.

Driefontein.—This is another East Rand subsidiary, which paid its first dividend of 25 per cent. in March, 1899. A scheme is under consideration for increasing the capital of the company to £625,000, for the purpose of taking in dip ground, and thus increasing the area of the property to 330 claims. The 100-stamp mill will be doubled, and upon this the life of the mine is estimated at nineteen years. Dividends of not less than 45 per cent. ought to be paid in the future, and therefore at £4 the shares are an attractive purchase. But they are likely to go much higher than this.

Durban Roodepoort.—This company is a very old and regular dividend-payer, distributions having been kept up since 1889, the average being 75 per cent. The property consists of 90 claims, and 343 freehold acres, over which surface rights are held. With 80 stamps the life should be about six and a half years. At over 70s., therefore, the shares should not be a very safe investment.

Ferreira.—This company has paid bigger dividends than any other outcrop company, and they have also been paid regularly since 1891. In 1894, 150 per cent. was paid; in 1895, 115 per cent.; in 1896, 190 per cent.; in 1897, 300 per cent.; in 1898, 450 per cent.; and in 1899, 150 per cent. Milling with 80 stamps, the mine is

likely to pay dividends of 300 per cent. for the next four years at least. It will then take over 40 stamps of the Worcester mine, which will be worked out, and though the company will then mill poorer ore, still, there should be no decline in the dividends. This should continue for about ten years, and then the mine will come to an end. The highest price reached by the shares was $26\frac{7}{8}$, in 1898, and £20 should represent its intrinsic value.

GELDENHUIS ESTATE.—This company has been in existence since 1887, and commenced to pay dividends in 1891, and since then dividends have been paid annually. In 1897 it paid 45 per cent. and in 1898 $147\frac{1}{2}$ per cent. In June, 1899, 50 per cent. was paid, and when the war broke out there was an undivided balance of £94,000 in hand, equal to another 50 per cent. Its probable life is about eight years, and it is calculated that during that period it ought to distribute 175 per cent. annually. I consider the shares a good purchase, both for investment and speculation, at $7\frac{1}{4}$, which is their average price for the last six years.

GELDENHUIS MAIN REEF.—This is one of the least attractive shares, for the dividends it has paid have not only been small, but its life is not likely to be more than three or four years. Therefore I cannot advise a purchase of these shares either for investment or speculation.

GEDULD PROPRIETARY.—This company was formed as recently as March, 1899, and it owns a property situated in the extreme eastern section of the Rand, about 8,500 acres in extent. Three

boreholes have been sunk, striking the reef at 1,400, 1,725, and 2,135 feet respectively, showing an average result of about 1 oz. to the ton. It is estimated that the company should have a life of twenty years, and therefore the shares are very attractive.

Ginsberg.—This is one of the Barnato group of mines, and is a small proposition. It owns 39 claims between the Witwatersrand Deep and Driefontein mines. In 1898 it paid a dividend of 40 per cent., and one of 25 per cent. in 1899. Its life is calculated at about eight and a half years, exclusive of what may be derived from the working of the North Reef, which has already been proved of a profitable character. The shares have been as high as 4, but 3 to 3½ seems a fair purchase price.

Glencairn Main Reef. — Another Barnato company. This company has paid only moderate dividends, the highest being 25 per cent. in 1898. It owns a mynpacht block of 143 claims, of which 110 are supposed to be reef-bearing. It should live another twenty years. The highest price since the boom of 1895 has been 4¼, and the lowest 1½. The average dividend should be 30 per cent., and the shares should be worth 2¾.

Henry Nourse.—Although this is an old company, having been formed as far back as 1887, it did not pay its first dividend till the beginning of 1897. Since then, however, the dividends have been large and regular—150 per cent. in 1898, and 100 per cent. in the following year. The ore in

this mine is uncommonly rich, and is likely to continue so. It owns some valuable bewaarplaatsen claims and also some deep level claims, and 14,000 shares in the Wolhuter Deep. These shares should be a sound investment at £10. In 1898 they stood at $10\frac{7}{8}$, and did not go below $8\frac{3}{8}$; but since then they have dropped to $6\frac{1}{8}$.

HERIOT.—Since this company was reconstructed in 1892 it has been a regular dividend-payer, the record being as follows: 1894, 40 per cent.; 1895, 125 per cent.; 1896, 85 per cent.; 1897, 100 per cent.; 1898, 100 per cent.; and 1899, 50 per cent. When work was suspended, prior to the outbreak of the war, there was enough ore in sight to keep the mill working for nearly three years. With a milling capacity of 70 stamps it should last for another fourteen years, and continue to pay 100 per cent. dividends. At $8\frac{1}{4}$ the share may be regarded as a sound investment. In the boom of 1895 they reached $12\frac{1}{2}$, but they have been down to $4\frac{1}{4}$ since.

JUBILEE.—This company has been a steady dividend-payer since 1887, and it is a market favourite. It paid 100 per cent. in 1898, and 50 per cent. in 1899. But 100 per cent. is likely to be maintained. It also possesses assets of a value more than equal to the capital of the company. It has an estimated life of seven and a half years, and the shares should be bought safely up to $7\frac{3}{4}$.

JUMPERS.—This company has been in existence since 1887, and commenced to pay dividends in 1893, and since then they have been uninterrupted. In

1898 115 per cent. was paid, and 25 per cent. on account of 1899. The life of the company should be six years, and the dividends should average 100 per cent. The company holds shares in the Jumpers Deep, which are very valuable. At 7½ these shares should be considered a sound purchase.

KLEINFONTEIN (NEW).—This company has been only a moderate dividend-payer. The mill is to be increased to 140 stamps, and on that basis the life is reckoned at twenty-four and a half years. The company has over 120 unworked claims, and it is soundly managed. The shares should not be bought for investment at over £2, but they are likely to go higher than this in times of activity.

KNIGHT'S (WITWATERSRAND).—This company owns a very large property, but a great part of it is non-mineralized. In 1898 a 30 per cent. dividend was paid, and the company had about £150,000 in hand at the end of last year. The mill will be increased to 220 stamps, which should give the property a life of at least twenty years. It is impossible to give an approximate value of the shares, but they are shares which should be watched by both the speculator and investor.

LANCASTER.—This company paid its maiden dividend in 1898 of 10 per cent. The life is estimated at forty years, without considering the South Reef. The future is very promising, but the shares should be bought at a moderate price.

LANGLAAGTE ESTATE.—This company was formed in 1888, and during the last ten years has paid over

300 per cent. in dividends, as well as 100 per cent. in bonuses. It also derives an income from its holding of 235,000 shares in the Langlaagte Exploration and Building Company, its offshoot. It is not likely to pay a higher dividend than 35 to 40 per cent. Its life is calculated at sixteen years. At 3½ the shares are worth buying.

May Consolidated.—This company has been a moderate and regular dividend-payer since 1895, its highest distribution being 30 per cent. in 1899. This mine is opening out better in the deeper levels than in the shallower. With 100 stamps the mine should live another eight years, and pay dividends of 75 per cent. The shares should be bought up to £5.

Meyer and Charlton.—This is a low-grade mine, but, as the working costs have been low, it has been a good and steady dividend-payer, the recent dividends being 60 per cent. in 1898, and 40 per cent. in 1899. The company has about 35½ reef claims in one compact block. Its milling capacity is only 80 stamps, but it is officially estimated to return dividends of 85 to 100 per cent. for its probable life of ten years. The average price of the shares for the past six years has been about 5½, but their true value should be over £6.

Modderfontein (New).—This company has had a somewhat chequered career, and was reconstructed in 1894 and 1895. The capital is £1,000,000 in £4 shares. It owns an enormous property—some 2,500 acres. The reefs are narrow but rich. In spite of the fact that this share is a great market

favourite, the prospects of the company are still somewhat speculative; but it has undoubtedly great possibilities, and it is this that accounts for the interest taken in the company, and the constant fluctuations in the price of the shares. The property is computed to contain no less than 50,000,000 tons of ore. When peace is restored an issue of debentures will probably be made to provide for the erection of a 200-stamp mill. No approximate value can be given of the shares as yet.

NIGEL.—In the early days this mine turned out very rich ore, but poorer ore was subsequently encountered, and this caused a discontinuance of the dividends from the year 1895 until 1899, when there was a distribution of 15 per cent. The reserves at June, 1899, were estimated at 177,390 tons, based on a width of 12 inches. The battery is now 50 stamps, whilst tailings and slimes plants have recently been erected, so that better results are expected in the future. It is difficult to estimate the life of this mine, but it should not be shorter than sixteen years. The future dividends it will earn are also a matter of uncertainty, but they should be not less than 30 to 40 per cent.

PRIMROSE (NEW). — This company has paid gradually increasing dividends upon its capital of £300,000, the recent being 50 per cent. in 1897, 55 per cent. in 1898, and 30 per cent. on behalf of 1899. It has a battery of 160 stamps. The average price of the shares during the past five years has been $4\frac{7}{8}$ to 5. It is estimated to have a life of twelve years, and the dividends should

average 60 per cent. The shares are worth intrinsically about £5.

Rietfontein (New). — This is a Barnato company also, but it has not yet paid a dividend. The prospects are very doubtful.

Robinson.—This is one of the great mines of the Rand, and is a great favourite with investors. It is intended to increase the milling capacity from 140 to 200 stamps, and the official estimate is a life of twelve years, irrespective of the large body of main reef, which is only partially developed. The dividends have been small but regular. In 1896 12 per cent. was paid, in 1897 15 per cent., and in 1898 16 per cent., on a £5 share. With 200 stamps the company should have a life of thirteen years.

Roodepoort United.—This is an outcrop and a deep-level property, having 131 claims of the former and 83 of the latter. It has paid good dividends, without interruption, since 1894, the two last being 40 per cent. in 1897 and 1898, and 12½ on account of 1899. When the full plant of 110 stamps is at work regular dividends of 50 per cent. are expected. The life of the outcrop is computed at fifteen years, so that the shares should be a good purchase at 4¼ to 4½.

Salisbury.—Although this company was formed in 1891, it did not pay a dividend until 1899, which was at the rate of 10 per cent. In addition to its outcrop area, which is estimated to have a life of only seven years, it owns two deep-level claims. It ought to pay dividends of 40 per cent.

during the remainder of its existence, and the shares should be worth $3\frac{1}{2}$ to 4.

Simmer and Jack.—This company possesses the greatest stamp battery on the Rand. Hitherto it has been working 280 stamps, but these are now being increased to 320. But though this is the largest mine on the Rand, it has a huge capital, which is no less than £5,000,000 in £5 shares, of which the Consolidated Gold-fields of South Africa hold 600,000. There were besides £293,600 $5\frac{1}{2}$ debentures outstanding at June 30, 1899. The present company is a reconstruction, and paid $3\frac{1}{2}$ per cent. in 1898, and 4 per cent. in 1899. Its minimum life is estimated at twenty years. The shares might be safely bought up to £6. The prices of the shares of this company fluctuate a great deal, and they are likely to do so in the future.

Spes Bona (New).—This has been a very disappointing mine, and the shares are still very speculative.

Treasury.—This company paid steady dividends from 1892 to 1894, when they ceased until their resumption in 1898, when 15 per cent. was distributed, which was increased to $17\frac{1}{2}$ per cent. in the following year. Working with 60 stamps the mine should last thirteen years, and the average dividend should be 18 per cent. The shares are of £4 denomination, and should be bought at any price up to $5\frac{1}{2}$ to $5\frac{3}{4}$.

Wemmer.—This has been one of the big dividend-payers, but the capital is a small one of £80,000. In 1895 200 per cent. was paid, 75 per cent. in

1896, 100 per cent. in 1897, 150 per cent. in 1898, and 75 per cent. on account of 1899. The average price of the shares during the past six years has been about 11¼. It should last for another six and a half years, and should pay dividends from 190 to 200 per cent. It owns a number of other very valuable assets, including 36,226 shares in the Village Deep. These shares are a good purchase up to 13½.

WOLHUTER.—Since this company was reconstructed in 1895 it has paid regular dividends, the latest being 10 per cent. in 1897, and a similar distribution in 1898. The property consists of 161 reef claims, in addition to bewaarplaatsen and water-right area, having a life officially estimated at over forty years, with a mill of 100 stamps. Since the boom of 1895 the highest price the share has reached has been 9, and the lowest 2¾. This mine is rather patchy, and therefore speculative, and the shares are not worth more than £5. Their denomination, I might add, is £4.

It will be seen that I have given but the briefest particulars of these leading outcrop mines, but I hope they will be useful. I have estimated the price of the share on a dividend of between 8 and 9 per cent., but some may be satisfied with only 6, or even 5 per cent., and therefore they can buy at higher values than those I have given.

In addition to these outcrop shares there are, of course, the great and promising deep-level shares, many of which are likely to be sounder investments than the outcrops. In fact, the future of

the Rand depends upon its deep-level mines. It has been proved that the reefs carry down to an enormous depth, and they will be worked as deeply as it is possible to work them with safety and profit. Already some of them have reached the producing stage and have paid dividends, but those that have made no return may be equally as good investments to buy now. Mr. John Hays Hammond thinks it possible to mine successfully to a depth of 8,000 feet. At any rate, investors and speculators should study the progress of deep mining on the Rand, and follow the developments of the various mines, for they will be able to find amongst them sounder investments than they can find elsewhere.

News of the very greatest importance as affecting the future of deep levels has just been received from the Rand, and that is the striking, by a borehole, of the main reef series at a distance of 8,500 feet from the outcrop, and at a depth of 4,825 feet. In this we have ample confirmation of the theories held respecting the flattening of the reefs in depth, and there should no longer be any doubts felt regarding this important question. And not only does it confirm their flattening, but also their workability to a very great depth beneath the surface, even, perhaps, to the depth of 8,000 feet predicted, or, rather, opined by Mr. John Hays Hammond. Moreover, it confirms the theories held by this eminent expert, as expressed by him in his report to the Consolidated Gold-fields of South Africa in the autumn of 1899. He said: 'I still adhere to the opinion that it is possible to work to depths of

upwards of 8,000 feet on the Witwatersrand. . . . The extent of mining ground embraced within vertical depths of 8,000 feet cannot be predicted with accuracy. There has been, it is true, local steepening of the reefs, but we have had the same experience in the outcrop companies, and I am still of the opinion that there is a decided tendency, broadly speaking, of the reefs to flatten in depth. This theory, however, does not justify the exploitation of mining ground too remote from the outcrop.' So that, sanguine as this utterance is, this recent strike has proved that it is not sanguine enough, for it will justify the exploitation of mining ground remote from the outcrop.

The assays are, of course, equally as important as proving the wonderful uniformity and reliability of the main reef series throughout its entire length. They show beyond all doubt that the reefs are payable at that depth, and that they are likely to be equally as payable at greater depth. The reefs are of the average thickness and value as in the outcrops, and therefore this discovery removes Rand mining from the region of speculation, and puts it on the footing of a sound, reliable, and long-lived industry, thus justifying discriminating investment as distinct from speculation and gambling.

The principal deep-level concern is the famous Rand Mines, Limited, with its huge capital of £490,000 in £1 shares and its £1,000,000 of 5 per cent. debentures. It paid its first dividend of 100 per cent. in 1898, followed by 50 per cent. in June, 1899, whilst at the end of December last

it had £2,530,270 of undistributed profit. Its chief assets are its large holdings in a great number of deep-level mines, and the major portion of the money in hand will be required to finance some of its subsidiaries. The price of the shares fluctuates in the neighbourhood of £40, and they are likely to reach £50 in a boom. But there is a project for splitting the shares into 5s. shares, in order to make them more marketable.

I have space only to tabulate the other leading deep-levels, which have already commenced to crush, or are about to crush, giving the recent dividends they have paid, and their lives where they have been officially estimated :

Name.	Dividends per cent.	Capital.	Life.
Angelo Deep	5s., March, 1899	£500,000	25
Bonanza	11s., June, 1899	£200,000	6½
Consolidated Gold-fields .	5s., Dec., 1898	£2,000,000	—
Crown Deep	5s., Aug., 1899	£300,000	20
Durban Roodepoort Deep	Rts., Oct., 1897	£350,000	26
Ferreira Deep	—	£910,000	16
Geldenhuis Deep . .	8s., Aug., 1899	£350,000	22
Glen Deep	2s., Sept., 1899	£600,000	20
Jumpers Deep	4s., Nov., 1899	£530,000	20
Knight's Deep	—	£550,000	20
Langlaagte Deep . .	—	£650,000	29
Nigel Deep	Rts., May, 1895	£500,000	—
Nourse Deep	2s., Sept., 1899	£450,000	25
Robinson Central Deep .	Rts., May, 1899	£500,000	18
Robinson Deep . . .	5s., May, 1899	£950,000	22
Rose Deep	8s., Aug., 1899	£425,000	22
Simmer East	—	£700,000	25
Simmer West	—	£400,000	—
South Geldenhuis Deep .	—	£400,000	28
South Rose Deep . .	—	£600,000	—
Village Main Reef . .	8s., July, 1899	£400,000	15

CHAPTER XX

RHODESIANS

It is agreed by every authority that as soon as the war is over we shall witness a great mining boom, and that opinion I fully share. Personally I do not like booms, for they leave behind them a legacy of evil from which it takes us many years to recover. At such times promoters come forward with their wild-cat companies, and to these the public only too readily subscribe, without exercising any discrimination. If mining shares are worth anything at all, they are worth investing and speculating in at any time, and the mere upstarting of a boom, or, as it really is, an outburst of feverishness and unhealthy excitement on the part of the public, does not suddenly enhance their merits. Healthy activity is certainly preferable to a boom, not only because it lessens the promoters' opportunities, but because it is not likely to lead to that inflation of prices which does so much injury to the industry and brings irretrievable disaster upon imprudent people. But booms will come and go, no matter what I or anyone else may say, and we can only watch and

record their varied phases. It is agreed, then, that we shall witness shortly a boom in Rhodesians. The first and greater attention will be bestowed on Kaffir mines, but even here there is not likely to be the scope for the abundant energy that will be displayed, and it will undoubtedly overflow into the Rhodesian section. Rhodesian shares, which have been so neglected and inactive for the past eighteen months, will be bought and sold freely, and therefore this is a market to which I can direct the attention of the speculator and investor.

I would rather that the latter directed his attention to it now, and not leave it until the boom is in full swing. Now is his great opportunity, for shares are very low, and it would be the height of folly to wait until they are much dearer before purchasing them. There are, doubtless, thousands who have already made up their minds to invest in Rhodesian shares, knowing full well that the market will become very active as soon as the war terminates, but they are waiting until that time comes, and then they will display intense eagerness to buy at enhanced prices. If they know that this activity is bound to come, would it not be wise of them to anticipate it? But, for some reason or other, the ordinary man seems afraid to do this. He cannot tell why, but he certainly is afraid, and he can only feel secure when he sees everybody else buying, too, for then he think there is no danger of the market collapsing. But there is greater danger of it collapsing in the time of boom, for a boom connotes a collapse, and then we see the other extreme

—a prolonged period of inactivity—which only those enjoy who have bought shares at their normal and intrinsic values and are receiving handsome dividends upon them.

Rhodesia is still in its infancy as a gold-field, and it has yet to be proved by extensive development work whether or not it is destined to be a permanent and payable field. Although a great deal of development work has been done, it has not yet proved this, and we can only say that the probabilities are greatly in its favour. Like the Rand, it is evidently a low-yield field, and therefore its payability will depend upon the low cost of working. That low cost of working seems assured, though not for some years to come, for railways have yet to be built, the coal-fields have yet to be developed and worked, and, above all, there will have to be an adequate supply of native labour, which at the moment of writing is not assured. Therefore, we should be too sanguine to expect much success in the way of profits and dividends for a considerable time to come, but this will not have much weight with the public when the boom comes. The results from some of the mines which have been the first to reach the crushing stage have been decidedly disappointing, and there must be a permanent improvement before we can assure ourselves that they will be successful undertakings. It is too early yet to pronounce any definite opinion upon the payability of the country as a whole. Even the greatest experts have not yet made up their minds on this point, and no proof can be forthcoming until it has been far more

extensively developed. Personally I do not think, with all its economical advantages, that we shall see here a repetition of the success of the Rand. The two fields seem to have little in common, but even if it turns out to be a steady-going industry, with moderate profits and dividends, it will be something to be thankful for. At any rate, it will be something in its favour if it does not lend itself to those scandals that have made West Australian mining a byword of reproach.

As I have said, the results from the mines have so far showed a great deal of irregularity. The Globe and Phœnix appears to have turned out the richest ore, with an average of a little over 16 dwt. of gold per ton, whilst the tailings have assayed from 2 dwt. to 3¼ dwt. to the ton. The Selukwe follows with an average of about 11 dwt. to 12 dwt., with 3 dwt. from the tailings, whilst the results from the Dunraven have only been slightly less. If these returns could be kept up, good profits could undoubtedly be earned, but, owing to the scarcity of native labour, the batteries have not been fully employed. One of the most important of the recent developments in Rhodesia are those reported from the Ayrshire mine, which is the property of the Lomagunda Development Company. In the eastern section of the mine the reef has been proved by a borehole to a depth of 500 feet, in the central section the reef has been met with at 160 feet from the surface, whilst in the second level rich ore was met with, assaying 28 oz. to the ton. At the recent statutory meeting of the company it was stated that the company was about to start the

construction of a railway from Salisbury to the mine. A fact of great importance to the future of Rhodesia is this construction of railways. In all five railways are being built at the present time, and when these railways are built they will provide greater economical facilities for the mines, and hence the part they will ultimately play in the progress and prosperity of the country, in which the mining industry will prominently share, cannot be overestimated.

Rhodesia commenced its career as a gold producer in the latter part of 1898, when the first returns were made by the Geelong and Selukwe companies, each of which was crushing with a twenty-stamp battery. The production showed steady progress until the end of the year, and amounted for the four months to 18,085 oz. When the war broke out it interfered greatly with the production, but not to so serious an extent as might naturally have been expected. There was a great jump in the production in August of last year, and this was improved upon during the next two months. But there was a falling off during November and December. This year there has been a steady monthly increase, in spite of the dearth of native labour, and we may now look forward, I think, to a maintenance of this improvement, especially as the prospect of getting labour is improving and the war is drawing to a close. The following table gives in detail the monthly production of the gold-field since the first returns, and it will serve as a record with which future comparisons can be made:

	1898.	1899.	1900.	1901.
	oz.	oz.	oz.	oz.
January . .	—	6,371	5,242	10,787
February . .	—	6,424	6,233	12,237
March . .	—	6,614	6,286	14,289
April . . .	—	5,755	5,456	14,998
May . . .	—	4,939	6,554	14,469
June . . .	—	6,104	6,185	14,863
July . . .	—	6,031	5,737	15,651
August . .	—	3,177	10,137	—
September . .	2,346	5,653	10,718	—
October . .	3,913	4,276	10,725	—
November . .	5,567	4,670	9,170	—
December . .	6,259	5,289	9,373	—
	18,085	65,303	91,816	97,294

The following is a list of the individual returns from the beginning of the year to the end of June:

	Jan.	Feb.	March.	April.	May.	June.
	oz.	oz.	oz.	oz.	oz.	oz.
Alice Proprietary .	428	277	243	483	551	660
Antenior . . .	272	562	561	645	658	644
Ayrshire . . .	—	—	—	226	270	—
Beatrice . . .	—	—	1,207	2,480	—	—
Colenbranders . .	—	—	—	—	101	—
Criterion . . .	—	124	—	—	—	—
Dunraven . .	1,360	1,110	1,201	1,253	1,230	1,147
Eagle-Vulture . .	311	649	642	495	531	412
Geelong . . .	—	602	*1,331	1,235	†1,349	1,584
Globe and Phœnix .	5,004	4,864	5,103	5,022	5,737	5,702
Lomagunda Development . . .	125	204	220	—	—	—
Matabele Gold Reef	—	566	—	—	—	—
Premier Tati Monarch Reef . .	—	—	—	—	—	—
Rezende . . .	857	1,133	1,145	1,042	1,176	898
Selukwe . . .	1,385	1,661	3,003	2,035	2,866	3,110
West Nicholson .	332	—	—	—	—	—
Miscellaneous . .	—	483	—	82	—	—
Official total . .	10,787	12,237	14,289	14,998	14,469	14,863

* Including cyanide return for February. † Ditto for April.

There are already something like 300 stamps at work, or, rather, erected, and when these can be kept fully employed—and that cannot be expected until the end of the war, and for some time afterwards—it will mean a great increase in the monthly production. Besides these, there are some 300 others in the process of erection or on order, but we shall have to wait probably for a year or two before the majority of them will be at work.

The following is a list of the stamps already erected:

Name of Company.	Number of Stamps.
Alice Proprietary Mines	10
Antenior	10
Beatrice	10
Bonsor	50
Consolidated Belingwe Development ...	5
Criterion Developing	5
Dunraven	20
Eagle-Vulture	10
Filabusi	5
Geelong	40
Globe and Phœnix	40
Lomagunda Development	5
Mashonaland Development	5
Matabele Gold Reefs and Estates ...	5
Penhalonga Proprietary	5
Rezende	10
Selukwe	40
West Nicholson	10

The following is a list of those which are being

erected or are on order, which I have taken from the *Statist*:

Name of Company.	Number of Stamps.
Austro-Rhodesian Development ...	10
Ayrshire Gold Mine	100
Eagle-Vulture	5
Geelong	20
Jessie Reef	15
Matabele Sheba	10
Monomtapa Development	5
Morven (Rhodesia)	10
North Bonsor	30
Penhalonga Proprietary	40
Red and White Rose	20
Rezende	10
Salisbury Reef	25
Surprise	30
V. V. Gwanda	10
Wanderer (Selukwe)	40
West Nicholson	50
Total	430

CYANIDE PLANT ERECTED.

Geelong Gold Mining Company.
Globe and Phœnix Gold Mining Company.
Rezende.

ON ORDER.

Antenior (Matabele) Gold Mines.
Beatrice (Rhodesia) Company.
Bonsor Gold Mining Company.
Eagle-Vulture Mines.
Jessie Reef Gold Mining Company.
Matabele Sheba Gold Mining Company.
Red and White Rose Gold Mining Company.
Selukwe Gold Mining Company.
Wanderer (Selukwe) Gold Mining Company.
West Nicholson Gold Mining Company.

Another discovery which will have supreme influence on the fortunes of the country is that of coal, for the question of fuel is one of the first importance. It was known as far back as 1878 that there were large deposits of coal in the country, and recently immense deposits have been found to exist in the Wankie district, some 200 miles north-west of Buluwayo. It is computed that the total area believed to contain these coal deposits, more or less intermittently, is 400 square miles. The portion of the area now being developed is about seven square miles. At one point where proved by shafts the seams were found to be 34 feet in thickness, and the quality is stated by experts to be superior to the average quality of Welsh steam coal. Hence the country will be well off as regards railways and fuel, and as there is a fair supply of timber and water, there will be found every facility for economical working. The most serious question, therefore, is that of the labour-supply, and the prospects at present do not look overhopeful, although they are improving. Several mines have had to shut down from time to time, the Bonsor having suspended crushing operations for some eighteen months. Every effort is being made to solve the problem, and in time we may hope that success will attend these efforts. It was at one time thought that an attempt would be made to import Chinese labour, but this excited so much local prejudice that the intention was abandoned.

At a recent meeting of the Salisbury Chamber

of Commerce the president said that the executive had finally come to the conclusion that it was impossible to get sufficient local labour for the present requirements of the country. The natives do not work for three months in the year, but even admitting that they did work three months, 56,000 would have to be provided to meet present requirements. An experiment has been made with Abyssinians, and it has not been wholly unsuccessful. Arab labour has also been imported from Aden, and it seems as if, with the assistance of the British Government, the needs of the country will be supplied to a very great extent from this source. But in the last resort the country must look to Portuguese East Africa. Some months ago an arrangement was come to between the Rand and the Rhodesian mining authorities under which, in consideration of Rhodesia refraining from endeavouring to recruit native labour in certain districts, it should be supplied with 12½ per cent. of the Shangaans which the Rand obtained from Portuguese East Africa. But, unfortunately, this arrangement has become inoperative by reason of a difficulty with the Portuguese Government, which has prohibited the recruiting of labour within its territories. This, however, is likely to be but temporary, and should easily be overcome by diplomatic means. No doubt it will be one of the earliest questions to which Lord Milner will direct his attention.

But in spite of all these drawbacks we shall undoubtedly witness a boom in Rhodesian shares

immediately the war is over. And many of the shares at low prices should be bought for investment. But much of the activity will be speculative only, and this I shall be sorry to see, for it will only lead to many abuses, and leave behind it a legacy of evils from which it will take the market and the industry a long time to recover. One thing in favour of the individual companies is the mining law, which is similar to that in the United States. So long as a company has the outcrop of a reef running through its claims, it can follow that reef down to any depth, even though it may run under several properties, which are working lodes running parallel with or across it, and therefore, provided the reef continues, the mine need not shut down until it attains such a depth that, on account of the heavy expenses of mining and raising the ore, it can no longer be profitably worked. Therefore, each property carries its own deep level, free of all cost.

I will now give a few particulars of some of the companies that are likely to attract first attention :

Bonsor.—Capital, £220,000 in £1 shares, all of which have been issued. It owns 72 claims, and has a length of reef of some 6,000 feet. The central section has not yet been developed, but there seems little doubt that the quartz continues throughout this length. A part of the property will eventually be taken over by a new company. The average width of reef throughout the whole mine is 2½ feet, and the mine has been opened to

the third level. Above this level there is ore enough to last 50 stamps for seven years. The annual profit should average £40,000. Highest and lowest prices in 1900, $2\frac{1}{2}$—$1\frac{3}{16}$; in 1901, $1\frac{1}{2}$—1.

Antenior.—Capital, £120,000 in £1 shares, all of which have been issued. It owns an area of 95 claims. Up to the present the reef has proved to be somewhat irregular, and until it has been further developed its permanence appears to be doubtful. Highest and lowest prices in 1900, $2\frac{1}{16}$—$1\frac{5}{16}$; 1901, $1\frac{5}{8}$—1. The average grade of the ore in 1899 was 16 dwt.; in 1900, $12\frac{1}{4}$ dwt.; and in 1901, 12 dwt.

Beatrice.—Capital, £200,000 in £1 shares, of which 180,000 have been issued. It owns 58 claims. This company has only recently commenced to crush, but its gold-yield has up to the present been higher than that of any other Rhodesian mine, viz., 19 dwt. Highest and lowest prices in 1900, $2\frac{1}{8}$—1 ; in 1901, $1\frac{1}{2}$—$\frac{15}{16}$.

Dunraven.—Capital, £200,000 in £1 shares, of which 180,000 have been issued. This company owns 75 claims. It does not look as if this mine will be a great producer, unless a great change for the better takes place at depth. The reefs at present being worked are of considerable width, but erratic in value, and until the mine has been proved in depth it should be regarded as a speculative venture. Highest and lowest in 1900, $1\frac{9}{16}$—$\frac{7}{8}$; in 1901, $1\frac{5}{16}$—$\frac{15}{16}$.

Eagle-Vulture. — Capital, £200,000 in £1 shares, of which 150,000 have been issued. It

has 42 claims. This company commenced to crush at the beginning of the year, and its monthly returns have been irregular. The average value of the ore has been 14 dwt. Highest and lowest in 1900, $3\frac{1}{8}$—$1\frac{3}{4}$; in 1901, $2\frac{5}{8}$—$1\frac{7}{8}$.

GEELONG.—Capital, £250,000 in £1 shares, of which 200,000 have been issued. The company owns 110 claims. This mine has proved very disappointing, the yield having fallen from an average of 10 dwt. in 1899 to 5 dwt. in 1900 and 1901. It is estimated that there are considerably over 300,000 tons of ore in sight, but crushing is suspended in order to prosecute the development of the mine. In spite of its disappointments, the mine appears to be a very promising one, and capable of earning large profits. Highest and lowest in 1900, $3\frac{7}{8}$—$1\frac{1}{2}$; in 1901, 2—$1\frac{7}{8}$.

GLOBE AND PHŒNIX.—Capital, £200,000 in £1 shares, of which 187,500 have been issued. It owns 79 claims. This mine has been a high and consistent producer, the average yield per ton throughout 1900 and up to the present having been 16 dwt. Should its present value continue in depth, this will be one of the premier mines in Rhodesia. There are two series of reefs lying at right angles to each other, and 500 yards apart. In each series there are two reefs, but only one in each series has as yet been worked. Highest and lowest in 1900, $6\frac{1}{4}$—4; in 1901, $5\frac{3}{4}$—$4\frac{13}{16}$.

LOMAGUNDA DEVELOPMENT.—Capital, £200,000 in £1 shares, of which 188,075 have been issued. It owns 330 claims. The yield from this mine

has been on an average 10 dwt. to the ton. It should have a great future before it. Highest and lowest in 1900, $3\frac{9}{16}$—$\frac{5}{8}$; in 1901, $3\frac{1}{2}$—$1\frac{7}{8}$.

REZENDE.—Capital, £175,000 in £1 shares, of which 156,507 have been issued. Owns 60 claims. This has so far turned out to be a high-grade mine; the average yield per ton for 1899, 1 oz.; for 1900, $16\frac{1}{2}$ dwt.; and for the present year, $13\frac{1}{4}$ dwt.

SELUKWE.—Capital, £350,000 in £1 shares, all of which have been issued. Ever since crushing commenced this mine has been a regular producer, though the yield has been falling off, the average for 1899 being $13\frac{1}{2}$ dwt.; for 1900, $12\frac{1}{2}$ dwt.; and for the present year, 11 dwt. This is undoubtedly one of the most promising of the Rhodesian mines so far opened up, and should be one of the first to attract the investor and speculator. As the reefs appear to be holding out in depth, large profits should eventually be earned, and the mine should also have a long life. Highest and lowest in 1900, $3\frac{1}{16}$—$2\frac{1}{16}$; in 1901, $2\frac{5}{8}$—$1\frac{3}{4}$. The company owns 120 claims.

WEST NICHOLSON.—Capital, £300,000 in £1 shares, of which 210,000 have been issued. Owns 112 claims. From all accounts this mine is destined to be one of the best in Rhodesia. The payable ore has been proved 1,000 feet long, and at the 130 feet level the lode is 35 feet thick, and worth an average of 16 dwt. Highest and lowest in 1900, $6\frac{1}{4}$—$3\frac{1}{4}$; in 1901, $4\frac{1}{8}$—$2\frac{1}{4}$.

The following table gives a list of other shares

that will be certain to be bought as soon as the first signs of activity set in :

Name of Company.	Capital.	Amount of Share.	Claims.
	£	£	
Anglo-French Matabele	110,000	1	358,333
Bechuanaland Exploration	400,000	1	95
British South Africa	5,000,000	1	—
Buluwayo Syndicate	200,000	1	421,060
Charterland Gold-fields	500,000	1	1,994
Chicago-Gaika	250,000	1	437
Clark's Consolidated	350,000	1	2,778
Colenbrander	350,000	1	1,690
Confidence Reef	120,000	1	55
Consolidated Belingwe	200,000	1	901
Consolidated Exploration	300,000	1	1,398
Crescens Matabele	100,000	1	1,670
Exploring Land and Minerals	500,000	1	601,500
Forbes Rhodesia	30,000	1	50
Gold-fields of Matabeleland	500,000	1	1,375
Mashonaland Agency	400,000	1	2,907
Matabele Gold Reefs	500,000	1	1,028
Matabele Mines	250,000	1	817
Matabele Sheba	100,000	1	97
Morven	200,000	1	114
Nelly and Pioneer	100,000	1	260
Rhodesia	600,000	1	1,667
Rhodesia Exploring	150,000	1	1,483
Rhodesia Gold Fields	500,000	1	—
Rhodesia Gold Trust	1,000,000	1	2,157
Rhodesia Mining and Finance	500,000	1	1,672
Rice Hamilton	40,000	1	700
Salisbury Reef	350,000	1	120
Tati Concessions	500,000	1	2,000m.
United Excelsior	250,000	1	900
United Rhodesia	750,000	1	1,870
V. V. Gwanda	150,000	1	305
White's Consolidated	500,000	1	725
Willoughby Consolidated	1,000,000	1	4,431
Zambesia Exploring	200,000	1	63,000

CHAPTER XXI

WEST AUSTRALIANS

The West Australian market is not the market for the investor. I cannot advise him to go there to seek more than a limited number of good mining investments. It is pre-eminently (if we exclude the West African) the market for the speculator and the gambler, and it is unlikely to be resorted to by other people as long as the industry lasts. In being associated with the most dishonest and unscrupulous men in the city of London, to say nothing of the multitude of them in the colony, Western Australia has been particularly unfortunate, and full justice has not been done to its mineral resources. It has not yet had the chance it deserves, and it is almost too late in the day to hope that it ever will. The public, both here and on the Continent, have sunk enormous sums in the industry—or, rather, I should say in the pockets of an army of promoters—and the colony has not yet returned the equivalent of that money in gold, and it will probably be many years before it does. We have witnessed one scandal after another, until we

have almost despaired of seeing an end of them, and we are beginning to doubt whether there is such an individual as an honest man associated with the market. How many more scandals we shall witness Heaven only knows. I cannot feel hopeful that we have seen the last of them, for there is no doubt that many companies are still being carried on, merely to provide the directors with their fees, which have no earthly chance of success. Others, of course, have been worked, not in the interests of the shareholders—they were the very last to be considered—but merely to manipulate the market, and it is doubtful whether any other gold-field has so dark and evil a record as that which Western Australia has left for our contemplation and reflection.

And, apart from the scoundrels in London who have battened on the mines and the industry, and have ruined by their methods thousands of their victims, the industry has always laboured under disadvantages for which no one but Nature is responsible. As a gold-field, apart from man's interested interferences, it has been exceedingly disappointing, and this has been due to no other cause than the erratic and irregular manner in which the gold formations and the contents of the veins have been distributed. This characteristic has not been confined to one district nor to one gold-field ; the characteristic is more or less uniform and unvaried throughout the whole of the colony, and hence it is still questionable whether the field will settle down into permanence as a regular gold-producer. By more or less uniform, I mean

that in every district the lodes and veins have been patchy, but in some they have been more patchy than in others; but go where one will, we shall find that this patchiness is its distinguishing characteristic. In this respect it is totally dissimilar from the banket formation of the Rand, which is more uniform and regular in its gold contents. This alone, therefore, shows the speculative character of West Australian mining and the speculative value of even the best mines, such as Lake View, Ivanhoe, Golden Horse Shoe, Boulder Perseverance, Great Boulder Proprietary, Great Fingall, etc., which, though they may continue to pay large dividends for many years, may see a sudden change in their fortunes from richness to poverty, and thus in no instance can one say, as in the case of Rand mines, what the intrinsic value of any share is.

We can all carry our minds back to the early discoveries of gold, which gave rise to so much excitement all over the world. One or two prospectors found some exceedingly rich quartz on the site of what is now Bayley's Reward, in the famous Coolgardie field, and on the strength of this discovery some hundreds of companies were immediately floated in London, 98 per cent. of which never had a possible chance from their commencement. Then other wonderful discoveries were made which increased public excitement, including the famous Golden Hole of the Londonderry, but unfortunately these riches were confined in nearly every case to a small area, and to only a

few feet in depth, and this has been the characteristic of the Coolgardie field. How often do we hear of Coolgardie now ? Where are the hundreds of companies that were floated ? Some half-dozen still live to remind us of the existence of such a field, and each one is living merely from hand to mouth, and there is no foretelling how soon their precarious existences will terminate. This was to be one of the richest gold-fields the world has ever seen. All it wanted was water, and accordingly a benevolent Government sanctioned a scheme for conveying water to the field, which will cost some millions of money, and which is not likely ever to be returned. The mines will never be rich enough to support such a scheme, and Coolgardie as a payable gold-field seems practically dead. Up to the present the gold shutes have been found to be invariably narrow in extent, and the value of the ore is of very low grade, much too low to be worked to a profit in Western Australia. Moreover, the ground seems to be severely faulted, and, in spite of the water scheme, there is not likely to be an adequate supply of water. The principal Coolgardie mines now being worked are Bayley's United, Burbank's Birthday, Burbank's Grand Junction, Lady Charlotte, Lady Loch, Sherlaw's, Vale of Coolgardie, and Westralia and East Extension.

How often do we hear of any of these mines, or of their shares being dealt in on the market ? Three or four of them pay small dividends, but their futures are by no means assured. Of the

list, Burbank's Birthday seems to have been the best, and yet it looks as if its career is drawing to a close. The latest news from the mine is that the reefs are pinching out, and I, for one, am afraid its days are numbered, in spite of the opinion of the directors that the reefs will widen out in depth. It is probable that the mine may go on working for some years yet, and even pay another dividend or two, but it is not likely to be a mine in which money should be invested, nor do the shares seem to be very attractive as a speculation. The reef in Bayley's has also been exceedingly treacherous, and owing to its pockety nature it is not likely to be a conspicuous success.

But the future of the mining industry of Western Australia depends almost entirely upon one field, and that is the famous Hannan's Field, where at the present moment the richest mines are being worked. There are other districts and gold-fields in the colony, but it is most improbable that many will ever be payable. At any rate, they are not likely to have much influence on the future of the industry, so that the small field at Hannan's is the only one to which the investor and speculator need pay any serious attention. This field is only some twenty miles from Coolgardie, which it has supplanted. It was discovered in 1893, and since then scores of mines have been worked in more or less desultory fashion, many have been abandoned, and a few remain, and out of those remaining few there are scarcely a dozen that are likely to be dividend-payers for many years to come. The

belt in which formation all the mines are situated extends for only six or seven miles in length, and is about a mile and a half wide. Beyond this belt no gold worth talking about has yet been found, but in the belt are a number of parallel lodes which carry gold of intermittent richness throughout their length. In many mines these lodes have been found unpayable, whilst in others they have been found to be so rich that these may be numbered amongst the greatest gold-mines the world has ever seen. The names of these are well known: The Associated, Great Boulder, Great Boulder Perseverance, Lake View, Golden Horse Shoe, the Ivanhoe and Hannan's Brownhill, all of which lie very closely together, and though there are a number of others working on the field, and still making returns, they are not likely to be comparable to those I have named. Nevertheless, they may be worked with a fair amount of success for years to come, and one or two may see a change for the better in their fortunes.

But the future even of the great mines depends upon the quantities of sulphide ores that will be found in depth, and upon their successful treatment. The oxidized ores in most of them have been worked out, but there is evidently an unlimited supply of sulphides, which will last for many years to come. Vast sums of money have been spent in experimenting upon these ores and in finding a suitable process for their profitable treatment. After many failures a process has at last been found in the Diehl process, and though this

has not yet had a prolonged trial, there is little doubt that it has solved the problem, and therefore the futures of these mines are now assured. It will certainly be much more expensive than the simpler treatment of the oxides, but that will not make an appreciable difference in their future profits, especially if they are managed more honestly than some of them have been in the past.

I counsel investors, therefore, as distinct from speculators, to confine their attention to the mines I have mentioned. In these we find the reefs to be unusually thick. They are rarely less than 6 feet, and occasionally are found to be 30, 40, 50, and even 80 feet thick, carrying gold throughout the whole width. Taking the Associated first, this is, as far as size goes, the biggest mine in Western Australia. But, unfortunately, it has not yet had full justice done to it, and has hitherto been worked solely in the interests of the market rather than in that of the shareholders. It will be a long time before we can forget the painful revelations of 1899, which caused so great a consternation throughout the country, and which sent the shares down from nearly 14 to less than 6. Those, therefore, who bought the shares at high prices, owing to the magnificent returns from the mine, due to 'eye-picking,' have suffered greatly, and it is to be hoped we have seen the last of the scandals connected with this mine. Its issued capital is £500,000, and up to the present it has paid dividends of 4s. per share in 1898, 7s. 6d. per share in 1899, and 1s. 6d. per share in 1900, which

is certainly no record for such a mine as this to boast of. Although experts hold different opinions as to the richness and permanence of this mine, the consensus of opinion seems to be that its permanence in depth is proved, and that it has a long life assured to it. The recent report issued by the directors showed a loss on the past twelve months' working of £8,171, or, including a claim for income-tax, which they do not admit, £16,343. If the profit made during the previous year is deducted, the loss is reduced to £3,643. This, of course, is a regrettable state of things for a mine of this character, and no doubt it is due solely, as the directors say, to the 'disastrous policy of recent years.' They add that 'it may fairly be said that a large part of the work of the past year has been devoted to correcting the mistakes and extravagances of the former management, and that necessarily at a heavy cost of both time and money.' The first half of the modified plant is at work, and when the second plant has been altered it is expected that it will be possible to treat from 7,000 to 8,000 tons per month, with an extraction of about 92 per cent., as against 2,000 to 7,000 tons, with 60 to 70 per cent. extraction, in the past. The reserves of ore in sight are estimated at 122,794 tons, containing 142,939 oz. of gold, or an average of 1 oz. 3 dwt. 7 grs. per ton, as against 37,740 tons, containing 53,490 oz. of gold, in April, 1890. Thus, the prospects are highly promising if there is no more mismanagement, and the attention of speculators may be directed to the shares of this company.

The past record of the Lake View Consols has also been far from pleasing and satisfactory. The shares have hitherto been used as pure gambling counters, and the development of the mine has been subordinated to punting in the shares. It has been the cause of many painful episodes on the Stock Exchange, but there seems some hope now that there is a brighter and less evil future for the mine and the company. The annual meeting of the company has been recently held, at which the chairman held out many promises to the shareholders of reform in the future management both here and at the mine; and should these promises be fulfilled, we shall probably see the mine settle down into a solid and permanent dividend-payer, and thus be allowed to do itself justice. The Diehl process has had a good trial here, and has been found to be a great success, and therefore, as far as the treatment of the sulphides is concerned, the future is assured. The mine is certainly improving as it is developed. A new ore body has been found close to the Boulder Perseverance boundary, running several ounces to the ton. Rich developments have also occurred at the 600 and 700 feet levels, and the new manager estimates the existence of 100,000 tons of ore above the 500 feet level, of an average value of $1\frac{1}{2}$ oz. to the ton. The chairman holds out the promise of 100 per cent. dividends in the future, and we can only hope that he is not too sanguine.

The career of the Golden Horse Shoe Company has been a chequered one, and the shares of the

company have reached a higher price than that of any other West Australian company. In 1899 they went as high as $48\frac{1}{2}$, and at one time were as low as $18\frac{1}{4}$. In that year the shares were divided into £5 shares, and a new company was formed with an authorized capital of £1,500,000, all the shares of which were issued as fully paid in the proportion of three for each £1 share of the old company. The highest and lowest prices of the new shares have been: in 1899, $17\frac{7}{8}$—$12\frac{5}{8}$; in 1900, 15—$9\frac{1}{2}$; whilst this year they have been as high as $10\frac{1}{2}$ and lower than 8. The first dividend paid was 15s. per share in 1898, 30s. in 1899, and 15s. in 1900. Four reefs are being worked, all of which are very rich, especially the eastern reef. This reef has twisted into the Golden Horse Shoe from the Great Boulder, and then twists back again into the Boulder, in which property it is the richest section worked. The mine is, in fact, an extremely rich one, and should continue to pay big dividends for many years to come, so that if investors and speculators can buy a few at a moderate price, it would likely turn out a good bargain for them.

The Ivanhoe mine seems destined to a long life, and also to a brilliant career as a dividend-payer. The past management of this mine has been free from scandal, and that is saying a great deal in its favour. There are several payable lodes in the property, all of unusual width and great regularity. It was floated by the London and Globe Finance Corporation, which company made a big profit out of the transaction; and the only objec-

tion that can be taken to it is that it is over-capitalized, and in the future it may have a difficulty in maintaining the dividends it has paid in the past. The capital is now £1,000,000 in 200,000 shares of £5 each, all of which have been issued. From September, 1896, to June, 1897, dividends of 2s. 6d. were paid. In the latter year the new company was formed, and since then dividends of 5s. per share were paid in 1898, 25s. in 1899, 17s. 6d. in 1900. The highest price of the new share was $18\frac{9}{16}$, and the lowest $6\frac{5}{8}$, in 1899; in 1900 the highest was $15\frac{1}{2}$ and the lowest $8\frac{3}{4}$, whilst this year they have been as high as $15\frac{1}{2}$ and as low as $8\frac{3}{8}$. The directors are making further additions to the plant, which will cost £38,000. This will increase the battery to 100 stamps, and thus enable the company to deal with a greatly increased output. The future dividends are likely to be maintained at 25s. per share. That being so, the share may be safely bought at between £9 and £10.

The Great Boulder, although a rich and promising mine, has been keeping in the background of late, having been quite overshadowed by the other leading mines. At depth the lodes of this mine are found to maintain their size and value. There are four or five payable lodes in the mine, and the returns from these are likely to keep the mine going for several years. The company has paid regular dividends since 1895. The record is: 6s. per share in 1895, 18s. in 1896, 20s. in 1897, 2s. 6d. in 1898 and 1899, and 1s. 6d. last year.

The gross receipts from the gold won have greatly increased, whilst the profits have also been greater, but the expenditure has appreciated considerably. The general manager says that the returns from the mine for 1901 will be a record ; and though this prediction may be verified, it is hardly likely that the profits will be much increased. I should explain that in 1897 the £1 share was subdivided into ten 2s. shares, which explains fully the seeming falling off in the dividend. At the time of writing the future of this mine does not look to be so assured or so promising as are the prospects of the others, but it should be able to pay dividends of 100 per cent. for some time to come.

Another fine mine is the Great Boulder Perseverance, although the past year's results have been sadly disappointing. It has not been a regular dividend-payer, its record being 4s. per share in 1897, and 1s. per share in 1899. The annual report issued a short time ago showed a net profit of £17,743 from a recovery of 48,102 oz. of gold, thus showing a most unfavourable contrast with a profit of £78,419 from 45,283 oz. in the previous year. Although 21,880 tons of oxidized ore were treated for a yield of 10,722 oz., the future of the mine depends upon its sulphides, and the problem of their profitable treatment the manager is now tackling successfully. The Perseverance and Lake View lodes have been cut at 700 feet, the former showing a width of 6 feet and assaying 1½ oz., and the latter a width of 20 feet, of which 5 feet assayed 2 oz. The chairman looks to

dividends for the current year of 30 to 40 per cent., and for the future 5s. per quarter, with a balance dividend of 10s. on the making up of the account. We shall see if this is too sanguine or not.

The Hannan's Brownhill has worked out its oxidized ores, and is now working its sulphides, of which it has a vast quantity. The problem of their treatment has been solved here, and dividends should be paid for many years to come. Its dividend record is: 10s. per share in 1897, 7s. 6d. in 1898, 42s. 6d. in 1899, and 27s. 6d. in 1900.

All these are mines in the West Australian list to which the investor and the speculator should first direct his attention. There are many others in outside districts now being developed which have promising prospects, and in which speculation will always be active. These are: Kalgurli, Sons of Gwalia, South Kalgurli, Golden Link, Great Fingall, Chaffers, Cosmopolitan Proprietary, Hannan's Oroya, Norseman, Menzies Alpha, Menzies Gold Reefs, Menzies Mining and Exploration, Florence, North Kalgurli, Lady Shenton, East Murchison United, Westralia Mount Morgans, White Feather Reward, and one or two others; and if speculators study the careers of these they need not look elsewhere in the West Australian list—at any rate, not for the present.

CHAPTER XXII

WEST AFRICANS

It has been proved conclusively that West Africa is a rich and promising gold-field, but therein lies a great danger to the imprudent investor and speculator. Although we have heard so much of West Africa during the present year, it is not a new gold-field, as the ignorant may assume, for the precious metal was discovered there centuries ago, and as far back as the eighties several companies were formed to take up properties, some of which have been working quietly ever since. But the West Coast of Africa has always had a bad reputation. Its climate has hitherto been considered far too deadly for Europeans to venture there or to live there permanently; but all these drawbacks have been suddenly forgotten, or they have been hidden for the time being by the effulgence of gold. Intrepid adventurers are going there by the score, whilst others are returning here full of enthusiasm, delighted with their brief sojourn in the country, assuring us that they have discovered it to be the land of promise and delight.

How this sudden transformation came about seems like a dream. All we can now remember is that we woke up one morning to find ourselves in the midst of a West African boom, to find the world excited over its marvellous gold wealth; but how it all actually came about we have no distinct recollection. Most of us never dreamt of such a thing as a West African boom, for though we may have known that gold was there, we felt sure no one could live long enough to extract it, or even if one could, we could not persuade the public of its possibility. Moreover, it seemed impossible to establish a gold-mining industry in a place where the necessary facilities for its successful exploitation did not exist. To penetrate a dense, fever-breeding jungle seemed so hazardous a task as not to be worth the attempt; and yet all these formidable difficulties vanished before our eyes one day like magic, and our imaginations pictured a change from a sterile, unhealthy bog to a land of beauty and joy. But the most wonderful thing of all was the magical way in which the treasures of this land were heaped into the laps of promoters, and one can only liken the scene to the fairy-stories we read of in our childhood's days, in which fairies would heap upon some favoured protégée of theirs all the wealth and gifts of this earth, and of fairy-land besides.

These miracles do not happen out of fairy-books, no matter how promoters would cajole us into other beliefs. They are dazzling our eyes by nothing but vain and empty show, and we shall

wake up from our happy dream one day to find we have delighted ourselves with illusions only, with insubstantial hopes, with too extravagant expectations, and the disappointment will be bitter. It would be well if we were awakened from our dreams now, even though it be by no gentle shaking, for though it may be no pleasant shock, it will save us from more painful shocks hereafter.

As in fairy-stories the wealth that is showered upon the favoured ones is illusory and visionary, and the fairy herself a creation of the imagination, still, the Earth herself may take her place in the world of reality, and may bestow upon us many of her bountiful treasures if we will but merit them. Therefore, if promoters have as yet only dazzled our imaginations with an intangible brilliance, we must not conclude that the imaginary picture does not reflect some substantial reality in the background. There is gold in West Africa, and there will be many fortunate enough to get it; but all will not be fortunate who seek, for many may seek in the wrong places, and their searchings will end only in disappointment. That many are now searching diligently in the wrong places is true, but before we know who are the fortunate and the unfortunate we must wait patiently to learn. Impatience would lead us to commit many disastrous errors, and if we would be wise we would avoid these possibilities. Moreover, when the fortunate ones have found their treasure it may be still far from their reach. They may see it only with the eye of joy and eagerness, but the

mere gazing at it will not put it in their possession. Many perils may have to be faced before it can be reached, and those perils may lead to destruction even at the moment of success. So we must wait, expectantly, but not impatiently, for the mere impatience itself may increase the difficulties rather than diminish them.

Putting figurative language aside, it cannot be disputed that this boom in West Africa has already been overdone. Promoters have already reaped a fairly rich harvest, but they are all looking to a richer harvest still. Hundreds of companies have been floated in an incredibly short time, and the majority of them are the wildest of cats, and the most unblushing frauds ever offered to a credulous public. No one would be better pleased than myself to see a flourishing gold-mining industry established in West Africa or elsewhere. The benefits from it would be great. But those benefits would be nullified if it were used as a means of enriching scoundrels. But I cannot believe that the public have put money into it to the extent that is supposed. I think they have had more sense. The enormous premiums to which many of the shares have gone is no evidence of public buying on a large scale. If the public had bought freely we should see a great fall in those prices. For promoters and vendors would speedily unload, and those who bought shares would be only too anxious to get rid of them again. The prices are not only enormously inflated, but they are fictitious. They are held by a few, and these few rig them to any

prices they please. Therefore I warn the public not to run away with wrong impressions. And I warn them even more solemnly not to buy shares at the colossal premiums at which they stand. If they do buy, they will not only be landed with rubbish, but they will be chagrined to see a great fall in those insubstantial prices. There are exceptions, of course. But the exceptions are very few, and they are not overeasy to find.

Rich as the country may be, it must not be overlooked that it is entirely undeveloped. Boreholes have been sunk here and there, and proved that the reef exists at depth. So far so good. That is undoubtedly promising, and will justify the sinking of shafts where the reef has just been proved. But even then there may be disappointments until the reef has been actually proved all the way. A great deal has been made of the fact that the formation is similar to that of the Rand, and the word 'banket' has quite a magic ring with it. This rallying word will henceforth be sounded for all it is worth; but many mines may have the banket formation, or any other formation, and yet be failures. Considering how high the working costs are likely to be, the ore will have to be much richer than it is on the Rand, and only development work will prove that. One mine may be very rich, and its neighbour very poor, so that it is impossible for anyone to calculate what the intrinsic value of a West African share is. At any rate, it is utterly absurd to say that a share standing at 30 to 40 per cent. premium, when no development work whatever has

been done on the property, is standing at its true value. But apart from development work, the majority of the properties have not been tested even by such an instrument as a diamond bore. So long as it is in the magical Tarkwa district, that is good enough for the promoter and the public. It may be a hundred miles away, but that is a trifle in a vast place like West Africa, and is quite insignificant to mar an imaginative picture of fabulous wealth. The Tarkwa district has been proved to carry gold over a considerable portion of it, and the reef may be found to exist from one end of it to the other. But, on the other hand, considerable portions will be found to be as barren as Ludgate Hill, and only useful for the humble service of waste heaps. Up to the present the reef has been found to outcrop on the western side of a ridge that runs north-east and south-west. The ground north of the reef is of no value. The strike of the reef is north-east and south-west, with the dip to the west. Hence a property situated to the east of the outcrop is valueless, unless subsequent discoveries should prove it to be otherwise. This is a fact which investors and speculators would be wise to bear in mind, when prospectuses of new companies are sent to them, for it may save them from many losses. This fact will be entirely ignored by the promoter. It will not matter to him one iota where the reef outcrops or where it dips. So long as he can say his property is situated near to the Tarkwa range, whether it be on the east, west, south or north, it will be, in his eyes, a great thing

to say. He will rely chiefly upon the words 'Tarkwa' and 'banket,' in the full assurance that they will be irresistibly attractive to the public.

Nor will he trouble himself about the title, a matter of supreme importance to the investor. In time to come it will be found that the titles of more than one-third of the companies that have been floated and are still to be floated are not worth the paper on which they are written. This will be the experience of rich and poor companies alike. All titles will have to be certified valid or invalid by the Concessions Court, and heaven only knows when the Court will be able to cope with the increasing work that will be thrust upon it. Prospectuses may state that concessions have been duly registered. But this is likely to be misleading. It applies only to registration of documents, and is no proof whatever of validity of title until the Concessions Court has given its decision. Validity will not be guaranteed by mere registration. The promoters and vendors of *bonâ-fide*, respectable companies are fully alive to the risks they run, whilst the shady promoters try to belittle the danger as much as possible. Hence they will insert in their prospectuses a paragraph or two to this effect: 'The following contracts have been entered into: . . . This contract also provides (*inter alia*) that the vendors shall make out a good title, commencing with the said lease, which shall be assumed to be valid and subsisting, and that no objection shall be taken to the said lease, or the title of the vendors thereto, on the

ground that its validity has not been certified under the Concessions Ordinance, 1900, of the Gold Coast Colony, such certificate, if required, to be obtained by and at the expense of the company, and completion of the purchase not to be delayed for the purpose of obtaining such certificate, and that no objection shall be taken in regard to overlapping or infringing concessions, or as to areas or boundaries of the property; and that completion of the purchase shall take place, and the purchase consideration paid and satisfied to the vendors, in London, on the execution by the vendors or other necessary parties, and handing over to this company, of the requisite assignment and other documents for assigning the properties agreed to be sold to the company, notwithstanding that any documents of title may not at that time have been registered in the Gold Coast Colony, and that in the absence of a proper survey the area and boundaries of the scheduled lands, as given in the schedule thereto, and on the plan annexed to the said lease, are only approximate or suppositive; and if any error, misstatement, or omission in the description thereof shall be found, the same shall not annul the contract, nor shall any addition or allowance be made to or from the price in respect of such error, misstatement or omission.' Of course a statement worded in this invariable manner will not be found in every prospectus. But something to a like effect will be found in many, and any such statement should counsel additional caution on the part of a would-be subscriber. I cannot insist too

strongly upon the vital importance of title, nor urge the importance of it too earnestly upon the public who may be attracted to West African mining.

But a great number of companies have been formed which have issued no prospectus, and I think, perhaps, on the whole it would be advisable to avoid these, for though we may miss many good things, we shall likewise miss many insidious snares, from which the good things may be impotent to save us. The great majority of those already formed are promoting companies, parent companies, share-dealing companies, finance companies, whose only business will be to gamble and speculate on the Stock Exchange. These parent companies are formed, as a rule, with very small capitals. They take up a certain area of ground, and divide it into several parts. Then one of these parts is sold to a subsidiary company for a big sum, and later, again, the subsidiary company divides the portion it has purchased, and sells these portions to other subsidiary companies at far higher prices than they paid for them. There has been no development or mining work done. These companies have made their profits out of promotion, and others must do the mining work, provided there is gold sufficient to encourage them to undertake it. If this kind of thing is going to do any good for anybody but promoters, then I cannot conceive how it can. It would be far better to give the money away in charity. It has been done time after time on the discovery of other gold-fields,

and those gold-fields have suffered in the long-run. West Australia, Klondyke, and Tasmania are now suffering from similar abuses. After being defrauded in this manner, it is only natural that the public should refuse to put their money into such gold-fields again, and thus the good mines suffer along with the bad.

As it is impossible yet to judge of the prospects of the majority of the companies that have already been formed, I can only give some brief particulars of one or two of those that are likely to meet with a large measure of success. In the front rank of these is, of course, the Wassau Company. Although we have heard a great deal of this mine of late and its prospects, it has been in existence for several years. It was formed in 1882 to acquire the Adjah Bippo property, in the Tarkwa district, the purchase consideration being £75,000, payable in 33,300 fully-paid shares and £41,700 in cash. In 1894 the adjoining Cinnamon Bippo property, of 820 acres, was purchased. Under agreements made with the Consolidated Gold-fields of South Africa and the South African Gold Trust, the Gold Coast Agency, Limited, is proving certain portions of the reef-bearing area by boreholes, with the object of forming subsidiary companies. In No. 1 borehole the reef was struck at a depth of 773 feet, where it was 43 inches thick, and of a value of 22 dwt. per ton. This was on the Adjah Bippo property. Borehole No. 2, or B, was sunk on the Cinnamon Bippo, where it struck the reef at a depth of 662 feet, the assay value being still 22 dwt.

About 500 feet north of borehole B borehole C was sunk, and cut a banket reef about 18 inches thick, giving 24 dwt. to the ton, at the shallow depth of 234 feet. The present capital of the company is £260,000 in £1 shares, of which 199,150 shares have been issued. The company did not pay its first dividend until 1897, when it distributed 1s. per share. During 1896 4,027 tons yielded 6,959 oz. of gold, giving an average of 1 oz. 14½ dwt. to the ton. In 1897 5,799 tons yielded 7,255 oz. In 1898 the battery was at work only ten months, during which time it crushed 4,162 tons, for a yield of 4,626 oz. Crushing was suspended in November of that year, and a new incline shaft is now being sunk and new machinery erected. The only dividend paid by the company has been the 1s. above mentioned. Its prospects now are far more promising than they have ever been, and though the price of the shares will be certain to appreciate considerably in the early future, investors must be cautious not to buy them at inflated prices. The value of the gold it has produced up to the present is £177,819. The agreement entered into with the Gold Coast Agency was with a view of developing at a more rapid rate and more effectively than it had the means of doing itself its ground west of the outcrop. Prior to about the middle of 1900 the area owned by the company was a total equivalent to some 2,200 claims west of the outcrop, and a large area of 6,000 by 12,000 feet to the east of the outcrop. The Gold Coast Agency was formed to go shares with the Wassau in deal-

ing with, approximately, 2,000 claims of other outcrop and deep-level ground.

The Gold Coast Agency, as I have said, has been formed with the object of developing gold-mining properties in the Wassau banket series. The Wassau Company, with whom it is working, reserves to itself the rights to about 165 claims, having about 4,500 feet on the outcrop. The rest of its property, consisting of about 2,000 claims, have been handed over to the Gold Coast for exploring and floating into subsidiary companies. The Wassau Company also reserves the right to subscribe for half the working capital of such subsidiary companies, the Agency finding the other half. The Agency also acquires an interest on identical lines in about 900 claims, containing a run of 18,000 feet on the outcrop on the banket reef, through the areas owned by the Pioneer Syndicate, which was formed to allocate the interests of the Fanti Consolidated Mines, Limited, and the Amalgamated Mines, Limited, in these claims, situated on each side of the Wassau Company's property. These shares have stood at as much as 58 per cent. premium. The capital of the company has hitherto been only £50,000, in £1 shares, but at a recent meeting of the company it was decided to increase the capital, consequent on the assured prospects of the company, to £600,000, 500,000 shares of which will be applied to giving ten new shares for each old share, and of the 100,000 shares remaining for future issue 50,000 were to be offered for subscription at 1½ premium.

Henceforth the new name of the company will be the New Gold Coast Agency, Limited. These two companies are practically the whole of the Consolidated Gold-fields group, of which we hear so much in our financial papers, and therefore it is not a large group, but it will make up for quantity in quality.

Another well-known group is the Turbutt group, and these comprise: The Abbontiakoon (Wassau) Mines, Limited; the Ashanti Gold Trust, Limited; British Gold Coast Company, Limited; the Effuenta (Wassau) Mines, Limited; Fanti Consolidated Mines, Limited; Fanti Corporation, Limited; Gold Coast Investment Company, Limited; Wa Syndicate, Limited; and West African Gold Trust, Limited.

Most of these companies have properties situated in the Tarkwa district, and though little or no development work has been done upon them, it has been practically proved that they will all have the banket reef.

Another promising company with properties in the same district, and neighbouring on the properties of the Wassau and Gold Coast Agency, is the Taquah and Abosso. This is, however, a very old concern, having been formed something like twenty years ago. It was originally acquired by a French syndicate, but since then it has undergone various reconstructions. The last reconstruction was based upon a nominal capital of £350,000, and also £75,000 of 6 per cent. first debentures and £30,000 of 6 per cent. second debentures, together with

£37,500 of income bonds, the last entitling their holders to dividends equal to those which would be paid on an equal amount of shares. The first and second debentures have the option up to January 1, 1904, of conversion at par into shares. The company has two blocks on the Tarkwa range, separated from each other by an interval of about four and a half miles. The one is the Abosso block, adjacent south-west to the Wassau Company's outcrop area, and the other is the Taquah block. Most of the work in the past has been done on the latter, the returns for seven years having been about 21,500 oz., worth £82,000, from 28,000 tons of ore. The area of this block is about equal to 1,452 Transvaal claims, of which 900 are reported to be on the dip of the reef, and thus mineralized. The Abosso area is equal to about 900 Transvaal claims, most of which are on the dip of the reef. It is intended to test the Abosso with a couple of diamond drills, and the results will be awaited with great interest.

The Ashanti Gold-fields Corporation, another prominent West Coast concern, was formed in 1897 with a capital of £250,000 in £1 shares, which have stood as high as 30 per cent. this year. The company's lease covers an extent of 100 square miles, and a fair amount of development work has been done. As many as forty-five stamps have been at work hitherto, and up to June 30 last they crushed 5,366 tons of ore for a yield of 11,257 oz., exclusive of tailings, estimated to be worth 10 dwt. to the ton. A further twenty

stamps are now in operation, and eighty more are on the property to be subsequently erected. Proof has been afforded that the reefs are of considerable extent and richness. One of the most promising sections of the property is the Obbuassi mine, where a lode reported to be 80 feet thick is being driven upon. There are three parallel reefs in this property, the ore from which has averaged as much as 3 oz. to the ton. These three reefs have also been proved to exist in the Insintsiam mine, to the north of Obbuassi. Still further north, on another line of reefs, is the Korkortaswia mine, where there is an enormous body of reef, of approximately $\frac{1}{2}$-oz. grade, but the lode is somewhat disordered. South-west of the Obbuassi is the Ayeinm mine, apparently on the Obbuassi lines of reef. In this mine three distinct veins have been opened up by cross-cuts and levels, and four other veins proved, and the ore is estimated to have a value of $1\frac{1}{2}$ to $1\frac{3}{4}$ oz. to the ton. A little distance south-east of the Obbuassi is the Cote d'Or mine, where again the reef is of considerable thickness, probably averaging 20 feet, whilst a recent cable announces that its approximate value is 2 oz. to the ton. In July of last year this company sold a portion of its property, half a square mile in area, to the Ashanti Consols, Limited, and floated as the Ashanti Sansu Mines, Limited. Partly out of the proceeds of gold secured, and partly out of the profits derived from this sale, the company has paid four quarterly dividends of 5s. per share, making 100 per cent. on the capital.

Another group is the Gold-fields of Eastern Akim group, and these comprise the following companies: The Birrim Valley Gold Mining and Dredging Company, Limited; the Kwaben Mines, Limited; the Asiakwa Hydraulicking and Mining Corporation, Limited; the Abompeh Syndicate, Limited; the Tete Concessions Syndicate, Limited; the Accra Consolidated Corporation, Limited; the Castle Gold Exploration Syndicate, Limited; the Akinassi Syndicate (Ashanti), Limited; and the New Castle Gold Corporation, Limited.

CHAPTER XXIII

INDIAN MINES

The leading Indian mines of the Colar Gold-field, Mysore, are amongst the soundest mining investments. For a considerable number of years past they have paid very large and regular dividends, and so far from these being intermittent and uncertain, like those of so many other mining companies, they have been improved upon year by year; and as far as it is possible to forecast their futures these dividends will not only be maintained for many years to come, but in all likelihood be appreciably increased. One thing is greatly in their favour. The management of them may not be perfection, and there may be room for some slight improvement here and there; but, at any rate, it is sound and honest, and shareholders need have no anxiety whatever that their interests will be thoroughly conserved. I only wish that all mines were as soundly and, above all, as honestly managed. It would be a grand thing for the mining industry as a whole, and we should be appalled less frequently by those scandals which so often disgrace company

administration. Here we can see what is possible. There is no reason why the example should not be generally followed. The shareholders are never allowed to be in the dark. They can never complain of the paucity of information given to them, and whether the news be good or bad it is sent to them without delay before others have an opportunity to benefit from it. Unfortunately, every mine in the Colar Field will not be a success. Some will be as risky speculations as others are sound investments, but that is no fault of the directors or of the managers, the eminent firm of mining engineers, Messrs. John Taylor and Sons. It is the fault of the field, and therefore we should find out which are the sound concerns and which are the unsound and doubtful.

The Colar Field has proved itself to be a patchy one. The payable gold invariably occurs in shoots, and is apt to give out unexpectedly and suddenly. These shoots are to be found near to the surface as well as in depth, and there is no knowing, therefore, what good or bad fortune a mine may have in store for it. There are several parallel veins on the field, of which the best known are the Champion lode, the West Balaghat lode, and the Oriental lode. But it is on the Champion lode alone that the paying mines have been worked, and these mines are the Mysore, the Champion Reef, the Ooregum, the Nundydroog, the Coromandel, and the Balaghat. The Champion Reef up to the present has run a fairly steady and uniform course through the Mysore, Champion Reef, and Ooregum

properties, but north of the latter it has shown disturbances, which are either due to the faulting or to the separation of the vein into several parallel branches. The Nundydroog works two sections of the lode—that is, the Champion lode, which extends from the south boundary to about halfway through the property, where it dies away to small stringers; and Kennedy's lode, which is about 300 feet to the east and worked only in the northern section of the property. In the Coromandel there are developments on two lodes, separated by about 500 feet, that worked in the southern portion of the property being supposed to be the continuation of Kennedy's lode, and that in the northern portion the continuation of the Champion lode. In the Balaghat Kennedy's lode, although traceable at the surface, has not been opened, the main developments being on the Coromandel or Champion lode. North of the Balaghat none of the offshoots of the Champion lode have as yet been proved payable, although trial pits have been sunk to test them on the Road Block property, but that company and also the Nine Reefs are at present devoting themselves to an extensive trial of the more westerly veins—the Oriental and the West Balaghat. South of the Mysore the Champion lode is ill-defined and broken, and although considerable prospecting work has been done by the Kempinkote, Mysore Reefs, and Yerrakonda companies to locate a payable section on the southern extension of the lode, no favourable discoveries have as yet been made.

The leading mine is the Mysore, which may be

included amongst the great gold-mines of the world. It has had, however, a somewhat chequered career, and in its early days it was seriously questioned whether it was worth while to spend more money on its development. It was practically condemned as a worthless mine, but the shareholders were encouraged to persevere and to develop the mine at depth, with the result that they have been most handsomely rewarded for their pluck, for, as I say, it has proved to be one of the finest mining investments in the world. The mine is situated on the central section of the Champion lode, but, as in the case of other mines on the field, the rich ore is found only in shoots. The workings on the principal shoot have gone deeper than in any other Indian mine, and the prospects look assured for several years to come. From present indications the future seems to depend mainly on three shoots—Crocker's, Ribblesdale's, and Rowse's—and all these shoots have hitherto been found to be exceedingly rich. A dyke, about 80 feet thick, divides one section of the mine from the other. Above the dyke is Crocker's shoot, and below is Ribblesdale's, and the question for the future to decide is whether Crocker's shoot will live below the dyke, and whether Ribblesdale's shoot will maintain its value with depth. In the annual report issued last March the directors said there had been indications of an improvement in the value of the Champion reef at the deepest levels from Ribblesdale's shaft, and since the date of the superintendent's report a development, which may prove of the utmost importance to the com-

pany, had occurred in driving the 2,320 feet level north of that shaft. They went on to say that full particulars as to the prospects at this point had not been received, but that it was apparent from the recent advices of Mr. Hancock that the appearance of the lode there had impressed him favourably. The report for the month of June stated that this level had been driven 46 feet, making a total distance driven of 282 feet 6 inches, the lode being only 1 foot wide, and assaying 4 dwt. 13 gr. No. 1 winze in the bottom of the level had been sunk 36 feet 6 inches, making a total depth of 110 feet. The lode was 1 foot wide, assaying 11 dwt. 3 grs. It was suspended on the 30th of the month, the required depth having been reached. The end on the branch in this level had been driven 30 feet 6 inches, making a total distance driven of 51 feet 6 inches. The lode was 6 inches wide, assaying 3 dwt. 6 grs. There were stated to be promising developments at the 2,020 feet level south of Ribblesdale's, the ore here having been found to assay over 2 oz. to the ton. The report for June stated that after driving 531 feet the lode had pinched, it being 1 foot wide and assaying 1 oz. 15 dwt. 7 grs. In rise No. 1 the lode was 3 feet wide, and assaying 3 oz.

The following is the record of the dividends paid by the company, to which must be added an interim dividend of 4s. per share paid on July 10 last:

Date when Paid.	Nominal Capital.	Amount of Dividend per Share.		Rate per fully-paid Share per annum.
	£	s.	d.	
May 31, 1886 . . .	150,000	2	0	20 per cent.
December 31, 1886 . .	150,000	2	0	
May 28, 1887 . . .	150,000	2	0	10 ,,
June 20, 1888 . . .	150,000	2	0	
October 31, 1888 .	150,000	2	0	20 ,,
	25,000	1	0	
May 16, 1889 . . .	175,000	2	6	
September 10, 1889 . .	175,000	3	0	75 ,,
December 10, 1889 . .	175,000	3	0	
March 10, 1890 . .	175,000	6	6	
June 13, 1890 . . .	175,000	5	0	
October 13, 1890 .	175,000	4	0	75 ,,
	25,000	3	0	
March 10, 1891 . .	200,000	6	0	
June 9, 1891 . . .	200,000	4	6	
October 10, 1891 . .	225,000	3	6	65 ,,
March 10, 1892 . .	225,000	5	0	
June 14, 1892 . . .	225,000	3	0	
October 11, 1892 . .	225,000	3	0	50 ,,
March 14, 1893 . .	225,000	4	0	
July 11, 1893 . . .	225,000	3	6	
November 11, 1893 .	225,000	3	6	50 ,,
	25,000	1	2	
March 14, 1894 . .	250,000	3	0	
July 11, 1894 . . .	250,000	2	0	
November 17, 1894 . .	250,000	1	0	25 ,,
March 14, 1895 . .	250,000	2	0	
July 11, 1895 . . .	250,000	2	6	
November 16, 1895 . .	250,000	2	6	47½ ,,
March 14, 1896 . .	250,000	4	6	
July 11, 1896 . . .	250,000	6	0	
November 11, 1896 . .	250,000	7	0	100* ,,
March 13, 1897 . .	250,000	3	6	
July 10, 1897 . . .	250,000	3	0	
November 11, 1897 . .	250,000	3	6	110 ,,
March 10, 1898 . .	250,000	4	6	
July 12, 1898 . . .	250,000	4	6	
November 10, 1898 . .	250,000	5	0	150 ,,
March 14, 1899 . .	250,000	5	6	
July 12, 1899 . . .	250,000	4	0	
November 10, 1899 . .	250,000	4	6	140 ,,
March 14, 1900 . .	250,000	5	6	
July 12, 1900 . . .	250,000	4	0	
November 10, 1900 . .	250,000	4	0	135 ,,
March 9, 1901 . . .	250,000	5	6	

* In February, 1897, each £1 share was subdivided into two shares of 10s. each.

In addition to the above dividends, shares and cash realized by the sale of property to the Champion Reef Company were distributed in 1889, representing £87,500, or 50 per cent. upon the nominal capital of the company at that time.

For some years past there has been a keen rivalry between the Mysore and Champion Reef for premiership, and there is, indeed, very little to choose between both mines. The ore developed in this mine up to the present has been of great value, and, like its neighbour, it is destined to keep up its present returns, to say nothing of the possibility of improvement, for many years to come. The latest report stated that the mine continued to disclose valuable bodies of ore, the more important of which were in the neighbourhood of Ribblesdale's shaft. The lode opened up by Rowe's shaft has been of good size and value, though not of such uniform richness as in the upper levels. The superintendent, however, hopes that, as greater depth is attained, the ore will be proved to be of as high grade as formerly. The following table (p. 309) gives the dividends paid by the company, the latest being an interim dividend of 4s. per share, payable on September 3.

The Ooregum Mine occupied many years ago the leading position amongst the Indian mines, but it subsequently met with many misfortunes, and not only sank to a subordinate position, but it looked at one time as though its career was ending. The original shoots gave out at a depth of about 800 feet, and though a lot of development work was done below this, only one shoot appeared to continue in depth. But at the 1,410 feet level a remarkable change took place, a shoot of ore being found extending to beyond Taylor's shaft, a distance of 600 feet from the boundary—indeed, it

Date when Paid.	Nominal Capital.	Amount of Dividend per Share.		Rate per fully-paid Share per annum.
	£	s.	d.	
April 12, 1894 . .	200,000	2	0	35 per cent.
September 12, 1894 .	200,000	2	0	
January 26, 1895 . .	200,000	3	0	
May 4, 1895 . .	200,000	4	0	65 ,,
September 12, 1895 .	200,000	4	0	
January 11, 1896 . .	220,000	5	0	
May 1, 1896 . . .	220,000	4	0	67½ ,,
September 1, 1896 .	220,000	4	6	
January 6, 1897 . .	220,000	5	0	
May 1, 1897 . . .	220,000	3	0	100* ,,
September 1, 1897 .	220,000	3	6	
January 12, 1898 . .	220,000	3	6	
May 3, 1898 . . .	220,000	3	6	110 ,,
September 1, 1898 .	220,000	3	6	
January 6, 1899 . .	220,000	4	0	
May 4, 1899 . . .	220,000	3	6	125 ,,
September 1, 1899 .	220,000	4	0	
January 5, 1900 . .	220,000	5	0	
May 1, 1900 . . .	220,000	4	0	130 ,,
September 1, 1900 .	220,000	4	0	
Payable January 1, 1901	220,000	5	0	

* In February, 1897, the £1 shares were subdivided into 10s. shares.

looks as if the rich shoots found in the Champion Reef mine will eventually dip into the Ooregum. At the present moment, therefore, the prospects of this company could hardly be more promising, and there is the possibility that it will ultimately again occupy its former position as premier mine on the Colar Field ; at any rate, it is a sound investment. An interim dividend of 2s. on the preference shares and another of a like amount on the ordinary shares was paid last April, the record of the previous dividends being as given in tables on pp. 311, 312.

The Nundydroog comes fourth on the list, but a long way behind the other three. This mine is practically depending on one shoot, but this is a fine body of ore, and it has every appearance of maintaining its value in depth. However, during the past year the operations in and about Kennedy's and North shafts, where the lodes have hitherto been disappointing, have been very successful, whilst an important feature of last year's development is that an almost continuous run of ore-ground has been laid open south of these shafts for a length of 1,060 feet underneath a barren zone of ground near the centre of the property. The superintendent considers the prospects brighter than they have been for some years, and that the future returns should be increased. The company has been a regular dividend-payer, as the table on page 313 will show :

Date when Paid.	Nominal Capital.	Amount of Dividend per Share.	
	£	s.	d.
April 27, 1891	125,000 Ord.	1	0
	120,000 Pref.	3	0
October 27, 1891	145,000 Ord.	1	0
	120,000 Pref.	3	0
April 27, 1892	145,000 Ord.	2	6
	120,000 Pref.	2	6
October 12, 1892	145,000 Ord.	2	6
	120,000 Pref.	4	6
December 22, 1892	145,000 Ord.	2	0
	120,000 Pref.	2	0
April 14, 1893	145,000 Ord.	3	0
	120,000 Pref.	3	0
August 10, 1893	145,000 Ord.	3	0
	120,000 Pref.	5	0
December 11, 1893	145,000 Ord.	3	6
	120,000 Pref.	3	6
April 24, 1894	145,000 Ord.	4	0
	120,000 Pref.	4	0
August 14, 1894	145,000 Ord.	2	6
	120,000 Pref.	4	6
December 10, 1894	145,000 Ord.	2	6
	120,000 Pref.	2	6
April 22, 1895	145,000 Ord.	2	6
	120,000 Pref.	2	6
August 28, 1895	145,000 Ord.	2	0
	120,000 Pref.	4	0
December 19, 1895	145,000 Ord.	3	0
	120,000 Pref.	3	0

The above figures show dividends amounting to £2 13s. per share, or 265 per cent. on the ordinary shares, and £3 13s. per share, or 365 per cent. on the preference shares.

Date when Paid.	Nominal Capital.	Amount of Dividend per Share.	
	£	s.	d.
April 18, 1896 . . .	145,000 Ord.	2	6
	120,000 Pref.	2	6
August 5, 1896 . .	145,000 Ord.	2	0
	120,000 Pref.	4	0
December 9, 1896 .	145,000 Ord.	2	0
	120,000 Pref.	2	0
April 15, 1897 . . .	145,000 Ord.	2	0
	120,000 Pref.	2	0
August 4, 1897 . .	145,000 Ord.	0	6
	120,000 Pref.	2	6
December 8, 1897 .	145,000 Ord.	1	0
	120,000 Pref.	1	0
April 14, 1898 . . .	145,000 Ord.	1	0
	120,000 Pref.	1	0
August 4, 1898 . .	145,000 Ord.	0	6
	120,000 Pref.	2	6
December 8, 1898 .	145,000 Ord.	1	0
	120,000 Pref.	1	0
April 18, 1899 . .	145,000 Ord.	1	6
	120,000 Pref.	1	6
August 4, 1899 . .	145,000 Ord.	0	6
	120,000 Pref.	2	6
December 8, 1899 .	145,000 Ord.	1	6
	120,000 Pref.	1	6
Payable April 18, 1900 . .	145,000 Ord.	2	0
	120,000 Pref.	2	0

The above figures show dividends amounting to £2 13s. per share, or 265 per cent. on the ordinary shares, and £3 13s. per share, or 365 per cent. on the preference shares.

Date.	Nominal Capital.	Amount of Dividend per Share.		Rate paid per fully-paid Share per annum.	
	£	s.	d.	s.	d.
October 18, 1888	125,000	0	9	0	9
	25,000	0	4½		
May 18, 1889	125,000	0	9	0	9
	25,000	0	5½		
June 28, 1890	125,000	1	4		
	25,000	1	2	3	10
October 21, 1890	150,000	1	6		
March 26, 1891	150,000	1	0		
June 10, 1891	150,000	1	4		
October 24, 1891	200,000	1	8		
	—	0	8	5	0
March 25, 1892	200,000	2	0		
	—	0	9½		
June 21, 1892	200,000	1	9		
	—	1	0		
October 25, 1892	200,000	2	0	5	9
	—	1	7		
March 25, 1893	200,000	2	0		
August 4, 1893	200,000	1	6		
March 20, 1894	220,000	1	0	2	6
	—	0	5		
December 1, 1894	220,000	1	6	3	0
March 26, 1895	220,000	1	6		
July 25, 1895	220,000	1	6		
November 23, 1895	220,000	1	6	5	0
March 21, 1896	220,000	2	0		
July 18, 1896	220,000	2	0		
November 21, 1896	220,000	2	0	6	6
March 27, 1897	220,000	2	6		
July 17, 1897	220,000	2	6		
November 20, 1897	220,000	3	0	8	6
March 26, 1898	220,000	3	0		
July 21, 1898	220,000	2	0		
November 19, 1898	242,000	2	0	5	6
	—	1	4		
March 25, 1899	242,000	1	6		
July 21, 1899	242,000	2	0		
November 22, 1899	242,000	2	0	6	0
March 24, 1900	242,000	2	0		
July 20, 1900	242,000	2	0		
November 17, 1900	242,000	2	0	6	9
March 25, 1901	242,000	2	9		
July 17, 1901	242,000	1	3	1	3

The Coromandel Mine up to the present has been sadly disappointing. The shoots hitherto worked have been very treacherous, and in depth they look as if they had given out. However, there has been a slight improvement in the yield of the ore of late, and one or two points in the mine look promising. The company has been making no returns since October, 1900, when crushing was suspended pending the further development of the mine. In the same month it was wound up and reconstructed.

The Balaghat has been reconstructed three times, and whilst it has had a struggling and disappointing career, its prospects are now looking brighter, though it must still be regarded as a speculation.

The Nine Reefs has likewise been reconstructed three times, and has not yet proved payable. The shares of this company are speculative; the same, indeed, might be said of the other mines on the Colar Field. They cannot be recommended to investors, and speculation in them must depend upon some unexpected valuable discoveries.

The prospects of the leading mines are greatly enhanced by an arrangement which they have entered into with the Mysore Government, by which the latter undertakes to provide and instal, in addition to the plant necessary for generating, transmitting, and transforming the electrical power, all conductors, motors, electrically-driven air-compressors, and other apparatus and buildings necessary for distributing and utilizing such power. Thus, in future a considerable portion of the

machinery on the mines will be driven by means of electricity, the necessary power for which will be derived from the Cauvery Falls, some ninety miles from the Colar Field. This will mean greater economies in working and higher dividends in consequence.

The following table gives the monthly returns from the field from January, 1896, to August of the present year:

	1896.	1897.	1898.	1899.	1900.	1901.
	oz.	oz.	oz.	oz.	oz.	oz.
January . .	22,986	29,912	34,576	35,360	41,185	42,829
February .	26,968	30,420	33,060	33,898	39,238	40,764
March . .	26,171	30,807	32,986	30,312	40,674	42,727
April . .	26,866	31,425	32,780	34,546	40,774	42,038
May . . .	26,840	32,099	38,471	35,637	40,021	42,110
June . . .	25,751	32,008	35,290	36,470	39,872	41,829
July . . .	26,112	32,276	34,667	37,179	39,355	42,071
August . .	26,739	33,085	34,464	38,257	42,763	42,048
September .	27,439	33,271	34,515	38,173	41,765	—
October . .	28,161	34,864	34,764	39,795	41,834	—
November .	28,559	34,454	34,468	39,777	41,772	—
December .	29,279	35,158	35,106	40,845	44,089	—
	321,878	389,779	415,147	440,249	493,342	336,416

CHAPTER XXIV

BRITISH COLUMBIANS

It has long been proved that British Columbia is a very rich and promising gold-field, though up to the present full justice has not been done to it. Of late years there has been a fair amount of activity in the few shares represented on the London market, but it has been merely spasmodic, and they offer little scope either for investment or speculation. A boom in British Columbian mining has been predicted more than once, but it has not yet come off, and there is little likelihood that we shall have the pleasure of witnessing it for some years to come. The gold-field undoubtedly deserves far more attention devoted to it than has hitherto been paid to it by English capitalists, and I shall hope to see it developed more extensively in the coming years.

It was not until the summer of 1887 that the first quartz discovery was made by two prospectors in the Yale district, but it excited little attention. Other discoveries were made during the next three years, which went a long way to confirm the

general richness of the colony, and they began to excite attention in England, but the interest taken in the discoveries was very slight. The resources of the country, however, are still unknown, and they cannot be known for many years to come. There has been far more American capital sunk in development than English, but the money has been expended not so much to benefit the industry, as to acquire mines and manufacture shares for gambling purposes. So far the discoveries have proved the ore to be of low grade and also of a refractory character, so that the problem of their payability is one which time and science alone can solve.

The few mines that have been floated in England have been anything but brilliant successes. The vast majority of them have been failures, and have certainly not encouraged the public to invest further money in similar concerns. There was something like a small boom a few years ago, and promoters took the opportunity of floating several properties which had not been tested, and hardly any of them have been heard of since. There was, of course, the usual long list of exploration and finance companies, but as they had no opportunities of making profits either in speculation or promoting, they have not been heard of, and the promoters and others have long since spent the profits they made out of them. Other companies were formed to work placer and hydraulic mines, and none of these have yet been successful.

Alluvial mining commenced in the year 1858.

Returns from the working of reefs commenced in 1893, and the yield up to the present has been nearly £4,000,000. Whilst the yield from alluvial shows a gradual falling off, that from reef gold is increasing, though somewhat slowly. Coming to definite figures, the total value of the mineral output to the end of 1900 exceeded $152,000,000, of which placer gold represented $62,584,000, lode gold $12,813,000, silver $13,650,000, lead $7,620,000, copper $4,363,000. For 1900 the mineral output was a record, in spite of the fact that mining operations were greatly interfered with by labour disputes in two of the principal districts—the Slocan and Rossland—and to a large extent in the Nelson district, too. Other unsatisfactory features have been the collapses of the London and Globe and British America Corporations, the excitement over the special settlements in Kootenay and Rossland Great Western shares, and the passing of the Le Roi dividend. The aggregate mineral output of British Columbia in 1900 increased from $12,393,131 in 1899 to $16,344,751, or a gain of nearly 32 per cent. The gold output rose from $4,202,653 to $4,732,105, though there was a decrease of $1,278,724 in the placer output, due to the comparative exhaustion of the shallower creek claims of Atlin. The increased yield was due, therefore, to the growth in the lode output, principally from the mines of Rossland, Boundary, and Nelson. There was also a substantial gain in the production of the hydraulic gold gravel district of the Cariboo.

The value of the mineral production of the principal districts and divisions during the past three years is shown in the following table:

	1898.	1899.	1900.
	$	$	$
Cariboo	389,360	381,900	684,527
Cassiar	107,300	819,380	467,479
Kootenay East .	161,370	523,666	2,855,851
" West .	6,042,975	6,187,859	6,020,783
Lillooet	47,814	69,558	88,493
Yale	432,512	315,865	1,422,465
Nanaimo, etc. . .	3,725,530	4,094,903	4,805,153
	10,906,861	12,393,131	16,344,751

Of the mines producing in 1899 most of them were still producing in 1900, although a few dropped out from one cause and another. But the greatly increased tonnage of ore mined—93 per cent. greater than in 1899—is made up from the increased output of the older mines, and is an argument in favour of the persistency of the ore bodies. The total amount of profits distributed last year is estimated at $10,070,000, being 49 per cent. more than in 1899, and 54 per cent. more than in 1898; but English shareholders, unfortunately, have shared but slightly in these profits, they having been distributed by local and American mines. The prospects of progress during the current year appear to be very hopeful. For the six months up to June the value of the gold output of the

Boundary mines has already exceeded by at least a quarter of a million dollars the value of the district's output for 1900. In Rossland the production has reached more than four-fifths the output of last year, but, unfortunately, operations for the remainder of the year are likely to be seriously interrupted by labour strikes. Owing to this the Le Roi, Le Roi No. 2, the Rossland Great Western and Kootenay mines were closed down in June. There should also be an increased production of hydraulic gold from Atlin, and likewise from Cariboo.

It will be seen from the table I have given that West Kootenay is still the chief producer, notwithstanding that its output in 1900 was slightly less than in 1899. This is by far the most important mining district of British Columbia, a great variety of mineral being found here. The gold is almost invariably associated with silver or copper, and sometimes both. The principal gold-fields in West Kootenay are Rossland, or Trail Creek, as it is popularly known; Nelson; Revelstoke, and Trout Lake; but as there has been little development work done in the two latter fields, we hear little of them. Rossland, of course, has already established itself as an important gold-field. Its reputation, however, is dependent on a small group of mines, for although many mines have been opened up throughout its area, only a few have met with payable stone. Those that are working on the richer reefs are, as I say, only a limited number, and therefore we must not be misled by

the impression that because a mine is opened up on the Rossland gold-field it will be a payable one.

Here the Le Roi mine is situated, respecting the administration of which there is so much agitation at the time of writing, but which is undoubtedly a rich and promising mine, provided the management is honest and capable. The Le Roi and the War Eagle are the two richest mines on the field. More work has been done on them than on any other mines, and they have been opened up to much greater depths. At these depths it is encouraging to find that the reefs show no falling off either in size or value. Shareholders in these companies should take particular note of the working costs, which are inclined to be heavy, or else they may swallow up the profits.

The Le Roi is the principal mine in which English shareholders are interested, and it bids fair to be one of the foremost mines in the world. The company was promoted by the British America Corporation, the recent revelations of which have startled and disgusted us not a little. It was floated as recently as 1898, with an authorized capital of £1,000,000, in 200,000 shares of £5 each, all of which have been issued and are fully paid. It has paid one dividend, that of 5s. per share in October, 1899, but when the next will be paid is a matter of conjecture. Probably the report for the past year will be issued before the publication of this book, but it will be too late for me to notice it. At the moment of writing there is a movement on foot amongst many of the large

shareholders for the removal of Mr. Whitaker Wright from the directorship of the company, consequent upon the disclosures of the Official Receiver in his examination into the affairs of the British America Corporation and Standard Exploration, but Mr. Wright has resigned, and a new directorate will conduct the company's affairs in the future.

At any rate, amongst the list of British Columbian shares, those of the Le Roi can be recommended both to the speculator and the investor. The latter must, first of all, make himself assured that the company will be honestly administered, and that the mine itself will be worked economically. At present work is stopped, owing to a strike, and there is no foreseeing how long it will last, nor what effect it will have upon the immediate fortunes of the company. The speculator will always find an active market in the share, even in times of dulness, and whether the rest of the British Columbian market is depressed or not. Therefore it is a share he may watch and study with advantage.

The lesser output from the West Kootenay district during 1900 was due chiefly to a falling off in the production from the Trail Creek gold-field, which produced only $2,739,300, as compared with $3,229,086 in 1899. On the other hand, the Slocan division improved from $1,740,372 to $2,063,908, but was, nevertheless, below the 1898 output. In contrast with the falling off from West Kootenay, there was, it will be seen, a

great advance made by the East Kootenay district. Hitherto this district was kept very much in the background, and it is difficult to understand this great and sudden augmentation of its output. The Yale district also advanced to a marked extent. This district is being gradually developed, and many experts consider that it will eventually turn out to be one of the richest and most important in the colony. Railway communication has recently been established with this district, which will assist its future development. There are an immense number of claims held here, all waiting to be developed, and we ought not to be surprised to hear of important discoveries here in the future.

The placer or alluvial mines in the districts of Cassiar, Cariboo, and Lillooet have not met with much success, and those that have been floated with English money are little heard of on the Stock Exchange. They cannot be recommended, therefore, to investors nor to speculators, who may find better use for their money elsewhere. At any rate, they had better await the results of future working. There was increased activity in this class of mining throughout last year, and there seems every probability of increased outputs this year from Cariboo, Omineca and Atlin. Dredging operations are also in progress, but so far they have met with no success.

I fully believe that in the future, on the outbreak of mining speculation generally, an effort will be made to revive activity in British Colum-

bian mining, and, if possible, to start a boom. If so, I would seriously advise investors and speculators to exercise discrimination in their selection of shares and new companies. As for Le Roi No. 2 and Rossland and Great Western and other companies, of which we have heard more than enough of late, they should not be bought on mere generalizations of their richness and prospects.

CHAPTER XXV

MISCELLANEOUS GOLD-FIELDS

THAT department of the mining market known as the miscellaneous is, taking it on the whole, more attractive to the investor than the speculator. Most of the rubbish shares have been relegated to limbo, for they are not worth buying for investment, and the speculator will have nothing to do with them because the fluctuations in their prices are too narrow. In a word, they do not make good gambling counters, hence the slight interest that is taken in this section. However, some very good investments may be picked up now and then, and therefore, it is not a section which the investor should entirely neglect, for those that have survived the weeding out process are mostly dividend-payers.

NEW ZEALAND

New Zealand has been a sadly disappointing gold-field. Only a few years ago we had a New Zealand boom, and this has left with us many derelict concerns, which are now drifting along aimlessly towards some goal or other, probably to extinction. In those days, as usual, the promoters deluged us with all kinds of flotations, the majority

of the mines having been placed at their disposal by local owners who had found them worthless. Nearly the whole of the Hauraki peninsula and the Upper Thames was pegged off and taken up. The usual collapse followed some two or three years later, and it has remained with us ever since. There has hardly been any semblance of life in the New Zealand market for the past three years, and I do not see how animation is now possible. As a gold-field the colony seems to be doomed, unless some miraculous change takes place for the better. I do not say that mining work is being abandoned. In fact, the work is being carried on with more or less vigour throughout the colony, with the result that the production is not only kept up, but improved upon, as the following table of figures will show:

	1900.	1901.
January . . .	38,289	21,893
February . .	18,125	53,404
March . . .	39,165	40,002
April	20,353	20,580
May	29,095	36,457
June	33,833	43,067
July	39,678	—
August . . .	23,774	—
September . .	41,873	—
October . . .	33,617	—
November . .	19,739	—
December . .	34,008	—
Total.. . . .	371,549	217,387
Total in 1898 .	389,794	—
Total in 1899 .	280,176	—

MISCELLANEOUS GOLD-FIELDS

The principal gold-fields of the colony are Coromandel, Thames, Upper Thames, West Coast, and Otago. The Coromandel field is the principal one, and has been worked more or less spasmodically for over thirty years. It has been proved, however, to be a very patchy and unreliable field, as those who have put money into the mines know to their cost. Here and there very rich patches have been found, as in the case of the celebrated Hauraki mine, which paid enormous dividends from the very early days of working, but which suddenly ceased owing to the patch giving out. Doubtless, most people will vividly remember the great excitement to which the discovery in the Hauraki mine gave rise, and how numerous companies were, as usual, floated on the strength of its phenomenal though momentary success. There was the Hauraki this and Hauraki the other, nearly all of which have now ceased to exist. These patches of rich ore have been found at shallow depths, and therefore the mines have proved quite unpayable at depth. Some of the mines floated in the Coromandel district were: Blagrove's Freehold, East Hauraki, Golden Pah, Hauraki Associated, Hauraki Main Lodes, Hauraki South, Irene (Hauraki), Kapanga, Kauri Freehold, Kapai Vermont, Kathleen, Kathleen Crown, North Kapanga, Preece's Point, Royal Oak (Hauraki), Scotty's Hauraki, Tokatea Consols, Triumph (Hauraki), Waitaia, etc. Nearly every one of these—in fact, I might say every one—has so far proved a failure, and although development work

is still being carried on on some of them, their prospects are far from hopeful.

The principal English mines floated on the Thames are Ethel, Hauraki Golden Age, Kuranui Caledonian, Mahara Royal, May Queen, Monowai, New Alburnia, Tararu Creek, Thames Hauraki, Whangamata, and Moanataiari. Most of these have so far failed to find payable ore, and there is little hope of the others finding any. Any way, there is not one in the above list that I can conscientiously recommend either to the investor or speculator.

The better-class New Zealand mines are situated on the Upper Thames field, or the Ohinemuri district, as it is also called. Here the reefs are of an entirely different nature from those found on the other fields. They are usually large, suffer little from faults, and show evidence of carrying their gold contents to a great depth. Few of the mines, however, have proved payable as yet, but development work is more justified on these than in those mines which have proved to be purely patchy. The principal mines are: Aroha, Komata Reefs, Maori Dream, Montezuma, New Zealand Crown, New Zealand Talisman, Royal Standard, Waihi, Waihi Grand Junction, Waihi Silverton, Union Waihi, Waitekauri, Waitekauri Extended, and Waitekauri United.

The premier mine of the above list—in fact, the premier mine in all New Zealand, and one of the greatest mines in the world—is the famous Waihi. Here is a sound first-class mining investment. The company has been a regular dividend-payer

for years, and it is destined, beyond any shadow of doubt, to continue to pay them for many years to come, probably for another twenty or thirty years. The mine consists of two main lodes, called the Martha and the Welcome, whilst branching from these are several offshoots. The aggregate width of these reefs and offshoots is very great. Owing to the discoveries of rich bodies of ore from time to time, the directors, in order to cope with them, have been compelled to keep on increasing their crushing capacity. At the end of 1894 the company possessed 90 stamps, but at the present moment no less than 290 are working The capital of the company has recently been increased, in order to provide the funds to push on the development of the mine, and to purchase additional plant. This is the only mine in the whole New Zealand list to which I can direct the attention of the investor, the prospects of the others being too doubtful and speculative. There is no foreseeing, however, what changes may be in store for them, and he would not be wise to discard the whole list. Those which he should watch and study are Crown Mines, Progress, Waitekauri, Talisman, Woodstock, Consolidated Gold-fields of New Zealand, Waihi Grand Junction, Kauri Freehold, Komata Reefs, Royal Oak, Thames Hauraki, Waitekauri Extended and Waihi Silverton. Whether any further valuable discoveries may be made in the future of the colony is doubtful. There is, however, the possibility, as there are vast areas of country still unexplored.

Of late years great attention has been paid to the possibilities of gold-dredging in the colony, and up to the present the results have undoubtedly been encouraging. But that is all that can be said. Dredging operations are, however, extending, and it is quite possible that a payable industry may ultimately be established. The investor would do well to take note of its progress.

Queensland.

Next to Western Australia Queensland mining shares are more largely represented on the mining market than those of any other Australian colony, whilst it also occupies the second place in respect of gold production. That it is a very rich colony cannot be refuted, and that it has enough gold wealth to last for many generations to come has likewise been amply demonstrated. But it has been under a cloud for many years now, English capitalists having ceased to take much interest in it. Whilst one can pick up a few good investment shares, the market is far too narrow a one to suit the speculator, and accordingly it is quite neglected by this class of people. There is no doubt that this field offers quite as good, if not better, chances of profitable investment than many of the more prominent British colonies—that is to say, if the promoter is allowed to have nothing to do with it; but I fear that the opportunities it offers will be neglected in favour of other fields—at least, for some years to come, and what is likely to happen after that it would be futile to predict. The

principal mineral belt of the colony extends for some 800 miles in length and 200 in breadth, and this is practically undeveloped. It contains not gold alone, but minerals of every description, though gold, of course, is the chief.

The principal gold-fields of the colony are practically six, the names being: Charters Towers, Gympie, Mount Morgan, Ravenswood, Croydon, and Etheridge. During the past three years the gold output from these fields has gradually increased, as the following table will show:

	1900.	1901.
January . . .	59,861	40,296
February . .	74,947	68,651
March . . .	91,304	66,928
April . . .	74,944	69,296
May	101,233	68,000
June	100,892	69,600
July	79,768	—
August . . .	79,182	—
September . .	77,889	—
October . . .	69,880	—
November . .	79,470	—
December . .	62,295	—
Total	951,665	382,771
Total in 1899 .	946,894	—
Total in 1898 .	920,048	—

The principal gold-field is Charters Towers; in fact, it is one of the most important in the whole of the Australian colonies. Although, however,

there have been opened up, and are still being worked, scores of mines, the majority of them are quite unimportant, being unpayable, whilst the minority have been paying for years, and still continue to pay small dividends. The reason of this is the irregularity and patchiness of the lodes. The principal mines known on the English market are the Brilliant, Brilliant St. George, Day Dawn Block and Wyndham, Victory, Bonnie Dundee, Brilliant Block, etc. Most of these mines are on the Brilliant line of reef, which is the richest lode on the field, and there is every likelihood of some of them paying dividends for many years to come.

But the greatest mine in Queensland, and the greatest mine in the whole world, is the Mount Morgan, and it is one of the soundest investments that can be recommended to an investor. This magnificent mine was discovered in the year 1882, and its phenomenal richness led to its flotation as a public company four years later, with a capital of £1,000,000 in £1 shares, of which 17s. 6d. has been paid up. In the early days the ore was much richer than it has been for many years past, and the ore was simply quarried out from the top of a mountain, with the result that in the year 1889 no less than £1,100,000 was paid in dividends. It has, however, long settled down into a low-grade and more consistent and reliable mine, and it will probably still be working and paying dividends a half-century hence. The shares are not speculative shares, the bulk of them being held very tightly both here and in the colonies, so that

the fluctuations in price are very narrow, and are likely to be as long as the mine lasts. The average dividend for a number of years has been 7d. per share per month, or at the rate of 35 per cent. per annum, and there is no great probability of any variation in it to such an extent as materially to affect the price of the shares.

The Gympie gold-field was discovered in the year 1867, and ever since then many mines have been opened up, and vigorous work has been carried on. Some of the mines, however, have been worked out, and the best of those remaining seem to be the No. 2 South Great Eastern, the North Smithfield, No. 1 North Oriental and Glanmire, No. 2 Great Eastern and Phœnix Golden Pile; but none of these can be called investment shares, and they are not attractive to the speculative gambler.

The Ravenswood field was discovered in 1870, but it has been a disappointing field. The few mines that are still working are merely living from hand to mouth, and none of them are dealt in on the London mining market.

The Croydon gold-field is, however, fairly flourishing, and has ever since 1886, when mining work was first commenced, turned out a good supply of ore. Only one or two English companies own mines on this field, and of these we hear very little. The chief is the Croydon Consols, which paid one or two very small dividends in 1896 and 1897, but none since.

Whatever may be the prospects of the Etheridge gold-field in the future, its past has been exceed-

ingly disappointing. It lacks railway communication and other facilities for helping a mining industry, and these can only be provided by capital, and as this capital is not likely to be forthcoming yet awhile, its future looks anything but a promising one.

VICTORIA.

Victoria is still paying penance for the abuses of which she was guilty in the past. In spite, however, of the fact that English capitalists will put no money into the industry, the colony is very rich in gold wealth, and is a keen rival to Queensland. There are very few shares now represented on the English market, and there is hardly one that can be conscientiously recommended to the investor and speculator. But in spite of its past it is a gold-field that should not be neglected, for it has a long and prosperous career before it, provided it be adequately assisted with capital, and that that capital be honestly spent in mining work, and not put into the pockets of promoters. It may again attract the capitalist, but that will not be for many, many years to come. Its output for the past three years has been as follows :

	1900.	1901.
January . . .	216,744	51,145
February . .		54,625
March . . .		79,214
April . . .		44,544
May	71,643	60,478
June	82,165	67,790
July	69,516	—
August . . .	69,197	—
September . .	70,818	—
October . . .	67,787	—
November . .	77,039	—
December . .	82,498	—
Total	807,407	357,796
Total in 1899 .	854,500	—
Total in 1898 .	837,257	—

New South Wales.

Very little interest is taken in England in the New South Wales mining industry, though it looks as if a revival is one of the possibilities of the future. The principal shares dealt in on the market are Aladdin's Lamp, Broken Hill Proprietary, British Broken Hill Proprietary, Australian Broken Hill Consols, Gallymont Gold-fields, Gibraltar Consols, Lloyd Copper, and Wentworth Proprietary. Of these the chief is the British Broken Hill Proprietary, which is the greatest silver-mine in the world, and which is one of the few that can work profitably even at the present

low price of that metal. None of the others are promising enough to be regarded as investment concerns, and the market in them is not such as to attract the speculator. The output of the colony during the past three years has been:

	1900.	1901.
January	42,066	22,869
February	17,840	19,380
March	25,377	14,824
April	38,515	27,017
May	17,636	17,032
June	14,922	24,547
July	53,464	—
August	28,688	—
September	25,202	—
October	33,113	—
November	12,579	—
December	36,248	—
Total	345,650	125,669
Total in 1899	509,241	—
Total in 1898	341,722	—

TASMANIA.

The colony of Tasmania is richer in tin and copper than in gold. At least, this has been proved to be so up to the present, though, as there are vast tracts of country still unexplored, there may be some rich discoveries of gold in the future. But the investor and speculator have need to concern themselves only with the tin and copper industry,

and principally with the latter. Some three years ago the whole country was excited over the discoveries of copper in the Mount Lyell range, and a great number of companies were accordingly floated, most of them being ostensibly worthless. Some of the others are undoubtedly promising. Pre-eminent amongst them is the Mount Lyell Company, which has been a regular dividend-payer for many years past. The property it possesses is quite a huge mountain of low-grade copper, which it will take many years to work out, so that the company has a very long life before it. The shares are always an active market, and they may be dealt in both for investment and speculation. The other leading copper companies are the Mount Lyell North, the Mount Lyell South, and the Mount Lyell West, but when these companies will enter the dividend list only Providence can foresee. At the moment they are more speculative than investment shares, but I should not be surprised at seeing one of them a first-class investment in years to come. This is the North Mount Lyell, but we must await the development of the property patiently.

Other Gold-fields.

British Guiana has proved itself to be a rich gold-field, and is undoubtedly deserving of enterprise. But the climate is sadly against it, and is almost as bad as that of the West Coast of Africa. Moreover, though it possesses many economical facilities in the shape of water and timber, and

even labour, there is no transport, and a vast deal of money would have to be spent in making roads and building railways before it can be exploited successfully. Cripple Creek, in Colorado, is also another very rich gold-field, and there was every likelihood before the rupture over Venezuela that a great number of Cripple Creek properties would have been floated in London. That day has, however, been postponed indefinitely, and in the meantime Americans will get hold of the best properties. South Australia, too, has long been suffering from unmerited neglect, and I cannot understand why more attention has not been paid to it by capitalists in this country. The northern territories are now being exploited—or we are told that some companies are exploiting them, when the only evidence we have is their exploitation of the pockets of shareholders—but, in my opinion, the southern territories are richer, and are more likely to reward judicious enterprise. There is any amount of copper in the colony, and, like Tasmania, it is more likely to become famous as a copper-bearing field than a gold one.

APPENDIX

THE COMING MINING BOOM

It is agreed by every authority whose opinion merits consideration, that upon the termination of the war we shall witness a mining boom in comparison with which the historical boom of 1895 will sink into insignificance. The present symptoms undoubtedly point in that direction, and the prediction, therefore, seems almost assured of being verified. But when will the war terminate? No man can tell. And yet it is tacitly understood, or, rather, vaguely felt, that we shall welcome that happy day not later than the beginning of autumn. The wish in this case is evidently father to the thought, for the depression, not only on the Stock Exchange, but in all trade and commercial circles, is getting acute, and there is no foreseeing the serious consequences to which it might lead should it be prolonged for an indefinite period. In spite of the apparent calm upon the surface, there is much discontent beneath. This discontentment we conceal beneath a set determination to submit to a sacrifice in which we are sustained by our highest instincts, and the only fear is that those higher instincts may not sustain us long enough, that our lower instincts may burst the bonds in which we have resolutely im-

prisoned them, wage a contest with the higher, and then vanquish them, with possibly deplorable consequences. We are not a pre-eminently patient people. We have not received the discipline necessary to inculcate that virtue in us. We have not accustomed ourselves to put too prolonged a restraint upon our natural impulsiveness. We can rise to a great occasion when necessity demands it; we can suffer with philosophical resignation when there is no averting it; we can be heroic when our honour is at stake and our character impugned; but we soon tire of rising and suffering and posing, our inborn restlessness still agitates us, our impatience urges us to action, and that action is oftentimes undirected by reason and wisdom. We have not the imperturbability and patience of the martyr. A temporary self-sacrifice is the loftiest height we can rise to. We have endured the self-sacrifice already; it seems now as if martyrdom is demanded of us. And the prospect appals us. We are submitting to it with ill grace. We are dragged into it against our inclinations. It is with no meekness that we suffer the indignity. We will undergo it for a time, but only for a short time longer. We have endured quite enough; we cannot endure more. If more is demanded of us we shall revolt, and may the consequences be averted!

This, then, is the stage to which events have enforced us. It is an unfamiliar experience, and it is a disagreeable one. We have already prided ourselves upon our heroic sacrifice, upon the exceptional patience with which we have borne a misfortune not of our seeking, and certainly not of our deserts. Surely we have suffered enough? Surely we have earned our reward? Have we

the vitality to suffer more? No; we have spent it all, and spent it to a good and holy purpose. Our part is performed. Now it is time we enjoyed the delights of liberty again.

This, I think, represents the attitude and the feeling of the nation to-day if we will look deep enough to see the symptoms. We all think we have done our part, that we have borne our sufferings long enough, that we have submitted to sacrifices few peoples would undergo. It is beyond reason and every sense of justice that more should be demanded of us. There is a limit to human endurance, and that limit we reached long ago. Therefore we are anxiously asking, *Is* there more to suffer yet? We gaze keenly into the face of Destiny to read our answer there. But Destiny wears an impassive look. Her countenance is not expressionless, but the expression is so subtle that we know not how to interpret it. Hence our fears and our doubts. Hence our restlessness, our impatience. Hence the longing with which we ever watch that impassive face for one faint expression which will foretell to us what our future is. Happily, most of us read in that countenance a faint expression of hope. We may be deceived; but it seems to us more like hope than despair, knowing not that we see only what we bring the wish to see.

Therefore it is upon this hope that we build the prospect of a mining boom in the beginning of the autumn, because the beginning of the autumn will see the end of the war. The Banishment Proclamation cheered us not a little, and though that event was not needed to implant a hope that we had already been nurturing, it sufficed to deepen and strengthen that hope, and hence it brightened the immediate future for us considerably. Why it is that the

Boers are obliging us by continuing the war until we have enjoyed our holidays, we do not stay to ask. But they are obliging us, and it is very considerate of them. We do not want the war to stop suddenly in the midst of our holidays, for it would upset our plans and calculations. It would disconcert us by finding us unprepared. After what we have gone through—especially in the way of anxiety and suspense—we certainly deserve a holiday to prepare us for the arduous work to come. Therefore it will suit us all very nicely if the Boers will make peace, say, at the latter end of September. We shall all be recouped and strengthened then, and ready to face the stern duties which the new era will bring with it.

Why we should wait until the end of the war before we enter upon this grim work of speculation no one can satisfactorily answer. There seems to be a tacit understanding that we *must* wait until then, and lie idly watching the face of Destiny in the meantime. We are all accumulating vast hoards of money which we don't know what to do with, and we are every one dissatisfied with the slowness with which it does accumulate. We want to see it grow and grow into mountainous heaps, not by imperceptible accretions, but by vast and rapid depositions, and there is no process more rapid and sure in its working than mining speculation. Therefore we are all longing for a mining boom. It is the one hope we cherish in these days of doubt and darkness. And that hope will come to fruition. There is no doubt of it. It will come sooner or later, and let us all pray that it may come soon. We cannot sit idling long.

It *will* come sooner or later. There is no future event so certain as this. And it may come at the moment we

wish it, for all we can see. And it will be welcome. There is no doubt of that. We shall all see in it an opportunity of making up for the past, for the weary, unprofitable months we have spent. There is no other direction in which we can look with hope. American rails will not give us the scope. And even if they did, the dangers that beset us there seem too great even for our impatience and cupidity to face. The snares are manifold, and not easy of detection. The scandals of the past seem as if they will be repeated in the present. The rivalry between ambitious and unscrupulous magnates is an ever-growing contest it would be safer to watch from a distance than to take a part in. It is not easy to protect one's self from the fierce attacks of the 'bull' and the 'bear' in this region, and death might be the penalty we would pay for our intimidity. So we must look askance upon the uninviting prospect here, and turn our gaze elsewhere. We look to Home rails, but there is no eagerness in our looks. We have been sorely disappointed in our expectations here. And the future is not bright with hope. Indeed, the future is deeply clouded, and fills us with fear and doubt. So we look to industrials, and see nothing to cheer us there. Every trade is depressed, and where it is not depressed the rivalry is keen. Trade may revive, it is true, but the revival will not be spontaneous, only gradual. We cannot wait for that, for we may wait and be ruined. There can be no depression in gold-mining. There can be no rivalry, no competition that will injure it. The more gold we have the more we can absorb. The supply will never exceed the demand. Therefore it is to the gold-mining industry that we must turn our longing eyes. If that failed us it would be a calamity indeed.

We would have cause to despair. But it will not fail us, it cannot fail us. So thank Heaven for the mining industry. For it will save us from calamitous consequences.

So we are all impatiently awaiting the restarting of the Rand mining industry. It has been partially restarted already, and we may hope, even before the war actually comes to an end, that the operations will be extended; and the more they are extended the nearer it will bring the end of the war. I quite agree with a writer in one of the reviews lately that our policy should be to open every mine we possibly can, not only for the economic benefits we should thereby receive, but because I firmly believe, as he does, that it would make a deep impression upon the Boers themselves. Very few people, I think, have looked at it in this light. The war is now being carried on, not with any hope of ultimate success, but merely to weary us out, to pile upon us burden upon burden, until we shall cry out to be relieved at any price; and this is confirmed by a recent utterance of Mr. Kruger, when he said: 'I expect that they' (the English) 'will grow tired of ruining themselves in order to oppress us.' This is undoubtedly the great hope that is animating them —the hope that we shall grow tired of the struggle and of the burdens with which it is loading us. It would be wise policy, therefore, to let them see that we are not ruining ourselves, nor are likely to ruin ourselves, and we could not demonstrate it to them more forcibly than by restarting every mine we possibly can. They would see that that would lighten our burdens considerably, and that we should also have the greater strength wherewith to support them. Whether or not that policy can be carried

out we have not the means of judging. We know not what means have been taken to fortify and protect the Rand, but we may be assured, from Mr. Chamberlain's speech, that effective means have been taken, that if they are not complete they shortly will be complete, and therefore we may hope in a few months hence to see the industry in full swing again.

There is the difficulty of getting native labour, it is true, and the extent to which the mines are reopened must depend upon the immediate supply of that. And what the immediate future supply will be we have no evidence to judge; but it seems to be taken for granted that there will be no serious dearth of it, and that it will be no impediment to the opening up of the mines the moment the war comes to an end. That has yet to be proved. At any rate, it would not stay the boom for a moment if peace were declared to-morrow.

But whether the restarting of the industry be early or protracted, it cannot be refuted that it is destined to enter on a new era, the brilliance of which will far eclipse that of the past. Before the war broke out its future was assured, and the war has been but an intermittent stoppage in its onward progress. This has been due, of course, to the discovery that the reefs can be traced to a great depth beneath the surface; that the formation is as regular at depth as it is for the first thousand feet or so; and that these reefs can be worked profitably for generations to come. And therefore the proved permanence and value of the reef at depth justifies the sinking of large sums of money in the industry, especially on a gold-field where the mining operations are sound, and where the science and economy of mining have been brought almost

to perfection. No great obstacles will be presented to mining successfully to many thousand feet. The increase in temperature is found by experiment to be not more than 1 in 200 feet, and there is no reason, therefore, why the temperature should debar mining operations at a depth of 6,000 feet, at least. But Mr. John Hays Hammond, the eminent mining expert, goes much further than this. In his report to the Consolidated Gold-fields Company in 1899, he said, in speaking of the prospects of deep-level mining: 'We have thus far experienced no serious difficulty, either from high temperature or from influx of water, in sinking to depths of nearly 3,700 feet, and I still adhere to the opinion that it is possible to work to depths of upwards of 8,000 feet on the Witwatersrand district.'

Assured as the future of Rand mining was, the latest discovery by the Turf Club borehole—one of the most important in its history—makes it more assured. Therefore it is bound to be attractive both to the investor and the speculator, and the investor and speculator will not fail to recognise the unique opportunities which it offers for the profitable employment of their capital. Both, however, will look at it from different points of view. It will be the investor's policy to pick out the best shares of the best mines, yielding substantial dividends, and to hold them as a permanent investment. And he will undoubtedly have an extensive list from which to make his choice. There are many outcrop mines which have fairly long lives before them, whilst there are others which are rapidly approaching the ends of their existences. He should be careful, therefore, to avoid the latter, or, if he invests in them, he must not do it blindly and riskily. Plenty of data will be given to him on which to make his

calculations. And herein is the great superiority of the Rand mining industry over every other gold-mining industry in the world. In Western Australia, India, British Columbia, and elsewhere, we cannot calculate, with any degree of certainty, the lives of the mines. The quartz reefs on which they are dependent are too patchy and unreliable. But the banket formation of the Rand is entirely different. It has been proved to be wonderfully uniform throughout its entire area, and hence its reliability enables us to make the most accurate calculations and forecasts; therefore we can estimate very closely the lives of individual mines, even of those deep levels which have made no returns, hence the comparatively unspeculative character of it. Of course, those estimates may be upset from time to time by dykes and faults. But these faults have not been found to be of a very serious nature. The deep levels will learn a great deal from the experiences of the outcrops. As a rule, these faults have been found to be easily traced, and therefore they need not be regarded as serious factors in investment; indeed, it cannot be disputed for a moment that one can invest in many of the leading Rand mines, both outcrops and deep levels, with more profit and with less risk than in hundreds of industrial ventures. The principal caution an investor must take is not to buy the shares at too high a price.

And this is the principal risk which they will have to face at a time of boom, therefore I would earnestly warn them to avoid this risk. At the present time their opportunities are far greater than they will be presently. Rand mining shares are now standing at low prices, and if bought at those prices the yields in dividends would be very high. It is certainly not a propitious time for the

gambler and speculator. He is biding his time till everybody else will be speculating, and until he can make quick profits by buying and selling. His opportunities will, therefore, come later, and the greater his opportunities, the less will be the opportunities for the investor. Now is the favourable time for the latter, and he will be foolish if he neglects it. To-morrow we may hear that we are on the eve of peace. Immediately prices will go up, for the dealers will anticipate a sudden public demand, and will make their provisions accordingly. The day for 'bargains' will then have passed, not to return, perhaps, for years. At the present moment he may buy shares which would yield him 12 and 15 per cent. after making allowance for redemption of capital, for a definite number of years, and the number of years he can get to know by inquiry. He can also get to know the dividends that were being paid prior to the outbreak of the war, and which will be sure to be resumed as soon as the mines get into a normal condition of working. In the majority of cases, however—and this only makes the present time the more favourable—those dividends will be, or ought to be, appreciably increased.

But, as usual, the investor will probably buy at inflated prices; he has always done so in the past, and it seems as if he cannot depart from this ingrained habit of his. He will certainly buy whether shares are inflated or not. If there is a boom in South African shares, he will not be able to resist it. He will buy the shares of a mine that he hears is returning 100 per cent., and will not take the trouble to find out how long it will last, nor what the net return may be on the price at which he buys. It may not yield him 2 per cent., and yet he will buy in the

full assurance that he will be getting a return of 25 or 30 per cent. He completely loses his head at such times; there is no doubt of that. He is too excited to think or to calculate. It will be the same with the speculator, the man who concerns himself only with the day's rises and falls; and these will outnumber the investor by 90 per cent. The vast majority of people will be infected with the gambling mania, the mania to make a fortune in an hour; and many such fortunes will be made, and in less than an hour. These fortunes will be made as all such fortunes are—by pure luck. But they will be as quickly lost again. The fortunes are not made to hoard. Speculators are not by nature misers; they want to be rich and wealthy merely that they might spend it in luxuries and pleasures, that they might excite envy and admiration, and might outdo their friends and neighbours. A miser would no more dream of risking his precious sovereigns in gambling than he would of throwing them away in charity. But the miser and the gambler have this in common, that possession only begets the desire for more. The cupidity of neither can be satiated. If the gambler makes his fortune by a stroke of chance, he hopes to make another fortune by another stroke of luck. But he often hopes in vain. He stakes some of the fortune he has already won, and loses it. Chagrin and disappointment only urge him to try again; and he loses again, until he loses all his gains and his private fortune besides. This is what we shall witness, therefore, as surely as the night succeeds the day. The boom will come and with it all its abuses. We have not recovered yet from the disasters of the 1895 boom. But that will be no deterrent. On the contrary, it is likely to act as an incentive. In that memorable year

thousands bought shares at inflated prices which they have been holding since in the hope that they will again reach their former prices, and it is highly probable that many of them will. They will then sell out and make their profits, and these profits will arouse the old gambling spirit in them, for they will expect to profit from the lessons taught them by their past experiences. Some may benefit, but the majority will not. They will repeat the mistakes of the past, and will commit precisely the same indiscretions. What they will lack will be knowledge as well as prudence, and they will not take the trouble to acquire that knowledge. They will trust to friends and acquaintances; they will trust to promoters and bucket-shop-keepers, knowing not that they will be trusting to thieves and scoundrels. They will not trust to themselves; they have no faith in their own judgment in such matters. They will put faith in all kinds of blackmailing newspapers; they will read 'puffing' pars by the thousand, and take them all as gospel truth.

We shall see history repeat itself with little variation. Promoters will come forth from their haunts in swarms; they will offer to the excited and eager public hundreds of companies that will be pure swindles. And the public will not discriminate; they will not be in the discriminating mood; it will be far too much trouble. Anything in the shape of a mining company or a mining share will be irresistibly attractive to them, for the boom will not be confined to South African mines. It will spread itself over every section of the mining market, and every gold-field in the world will share in it to a more or less extent. We shall have mining properties brought to us from all the zones of the earth. South Africa alone will not suffice to

satiate our cupidity, and the demand will not be confined to this country. It will as usual extend to the other side of the English Channel. French investors and speculators will not look on with indifference; they have far too much at stake already. And, moreover, they are seeking opportunities for the employment of their capital, which has been accumulating so long and which is not increasing rapidly enough to satisfy them. There is stagnation in their own country, and there is no prospect of a speedy improvement. They are casting longing eyes, therefore, elsewhere. But they can see nothing enticing elsewhere than in England. Germany has been disappointing, and so has Russia. Already vast sums have been sent to this side for investment in Consols, Treasury Bills, Exchequer bonds, and even in some of our municipal bonds, to say nothing of the buying of Sterling bills. But far vaster sums would come immediately on the outbreak of a mining boom. Investors and speculators in France would only be too pleased at such an opportunity for the employment of their idle capital. The depression that has lasted so long in this country and abroad, the vast accumulation of capital, the difficulty of finding profitable investments for it, the prospect of continued cheap money in spite of the indebtedness of Europe to America owing to bad crops, all make a mining boom assured, and insure also a prolongation of it for a longer time than usual.

One element of danger will be removed in Western Australia. That it will share in the boom is certain, but it will be only to a limited extent. Promoters will not be able to attract the public with West Australian mines as they attracted them in the past. The boom will, therefore, be confined to the proved mines, of which there are

not a large number. But West Africa will take the place of West Australia. Already hundreds of worthless properties have been floated from this quarter of the globe, but they are only a tithe of the companies that will hereafter be floated. That West Africa is a rich gold-field has been proved beyond refutation. But every company that is floated will not share in that wealth; that is impossible, just as it was impossible for every West Australian company to be a success that was floated on the strength of the boom. It is not the object of the average promoter to take the trouble to search for a proved mine; that would take too long a time, and the search would probably be fruitless. All he has time to do before the boom collapses is to peg out claims as fast as he can, say vaguely that they are in the heart or *almost* in the heart of some celebrated field, put in the title the name of some successful mine and add the words East, West, Extended, or Block, etc., pay somebody to write a report or two upon it and put M.E. after his name, and the thing is ready for sale and the public will buy it. This is what has been done already in the case of West Africa, and will be renewed on a far greater scale as soon as the occasion is ripe. All that I or any other writer in a position of trust can do is solemnly to warn the public to discriminate. But will the warning be heeded? I have no great hopes of it. But that would not excuse silence on our part. When we have cried our cry in the wilderness we have done our duty. The penalty must be paid if it is disregarded.

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THE END

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